Marxism Today

heoretical and Discussion Journal of the Communist Party August 1974 25 pence

ECONOMIC PROBLEMS OF THE TRANSITION TO SOCIALISM IN BRITAIN

A SYMPOSIUM

BOB ROWTHORN JAMES HARVEY
SAM AARONOVITCH
PHIL GOODWIN DAVID PURDY

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Marxism Today

Theoretical and Discussion Journal of the Communist Party

Volume 18, Number 8

Editor James Klugmann

Editorial Board
Irene Brennan/Gabriel Carritt/Tony Chater
Jack Cohen/Maurice Cornforth/Maurice Dobb
John Foster/John Gollan/Arnold Kettle
John Mahon/Betty Matthews/Allan Morton
Bert Pearce/Mike Seifert/George Wake
Nick Wright

Editorial Correspondence
James Klugmann, 16 King Street, WC2E 8HY

Advertisements
Doris Allison, above address

Orders and Subscriptions
Usual Agents or Central Books Ltd., 37 Gray's Inn Road, London WC1X 8PS

Subscription Rates £3.75 per annum

Special Issue on "Economic Problems of the Transition to Socialism in Britain".

CONTENTS

	Editorial Comments	225
Bob Rowthorn	Britain in the World Economy: Breaking the Chains	228
Sam Aaronovitch	The Next Stage	236
Phil Goodwin	Economic Problems of a Transitional Government	241
David Purdy	Some thoughts on the Party's policy towards prices, wages and incomes	246
James Harvey	Problems of the State and Democracy	252

(The front cover was designed by Pat Cook.)

SOME ARTICLES PLANNED FOR SEPTEMBER AND OCTOBER ISSUES

Ron Bellamy	More on Inflation
Donald Cameron	Problems of Heredity
Dave Cook	The Student Movement and Broad Left Unity
Maurice Cornforth	Sir Karl Popper—Doctrinaire Anti-Marxist
Tom Drinkwater	Crisis of British Imperialism
Nikifor Gornenski	30 Years After—The Bulgarian Resistance (Tribute to Frank Thompson)
Hans Hess	Georg Grosz (illustrated)
E. J. Hobsbawm	The Labour Movement and Military Coups
Len Jones	The Workers' Theatre Movement in the Thirties

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Editorial Comments

MOUNTING balance of payments deficits, rocketing inflation, have given rise to dire warnings that we face "the worst economic crisis since the 30s". These are coupled with declarations that "we must all face a lowering of our living standards". Both are linked with the mounting crescendo of calls for "a government of national unity".

How we arrived at this pass is explained in all kinds of sophisticated ways by the official economic soothsayers. But they rarely spotlight one of the major factors—the multinational firms.

This defect has now been remedied in the latest Labour Research Department pamphlet).[1] This, like all the others, is packed with facts, figures, analyses, and guidelines for a policy for the trade unions and the wider Labour movement. It is especially good on the following:– Firstly, its clear and simple definition of what a multi-national firm really is and how it operates; secondly, the facts it gives proving that Britain, far from being the helpless plaything of foreign multi-national firms, is in the multi-national business itself in a very big way. British multi-nationals are second only to those of the USA in the scope of their investment and other activities abroad. Third, the new phenomenon—this growing investment, especially by British multinationals, is being chanelled not so much to the under-developed countries, as to the advanced industrial ones, especially to those in the Common Market. And this at a time when inadequate investment at home is widely recognised as a major contributory factor in Britain's economic crisis.

The reasons for this are outlined and are very simple ". . . profits made on foreign production trebled between 1962 and 1972, whereas those made in home production only doubled" (p. 8).

So more and more big British multinationals are pursuing policies which menace the future jobs and well-being of the British workers. These are the increasing manufacture, or establishment of final assembly plants, of goods in the countries where they seek markets rather than exporting goods produced here at home. Total overseas production of the 40 largest British manufacturing companies was 48 per cent of their home production. "This was 2½ times larger than their exports from the UK."

The pamphlet spotlights the role of British multi-nationals as the main source of foreign investment in South Africa and of its industrialisation, raking in profits from the low wages of black workers in the apartheid republic.

Particularly useful and important is its explanation of how the home based centres of multi-national firms control their subsidiaries, how they use them to manipulate prices, to organise tax evasion and especially to by-pass government regulations of all kinds. Likewise its detailed exposure of their role in promoting international speculation, the recurrent financial crisis and inflation.

Its final section on policy to fight the multinationals should be the basis for widespread discussion.

"THE FINAL SOLUTION"

Dozens of books have been written about the extermination of millions of Jews in Hitler's death camps. The frightful holocaust has been described in all its horrific detail time and again. But a new book recently published in Germany[2]—*Jews under the Swastika: Persecution and Extermination of the German Jews, 1933-1945*—is more than a repetition of what is by now a fairly well-known though terrible story.

Anti-semitism, its murderous crystallization in one of the greatest crimes of all time—"The Final Solution"—is placed in its proper historical, political and class context. In short, the persecution of the Jews, especially in Hitler's time, is here approached from a Marxist standpoint. It is shown to have been an integral element of Nazism which had as its main aim the destruction of everything progressive, especially the forces which could bring socialism into existence—the

[1] The Menace of the Multinationals. Labour Research Dept. 20p.

[2] *Juden unterm Hakenkreuz. Verfolgung und Ausrottung der deutschen Juden 1933-1945.* Klaus Drobisch, Rudi Goguel, Werner Müller, Roderberg-Verlag G.m.b.H. Frankfurt (Main).

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Trade Union, Socialist and Communist movements and other progressive forces.

Thus the *leit-motif* of this whole book is embodied in a quotation from Brecht discussing Chamberlain's reactions to the pre-World War II anti-Jewish pogroms in Hitler Germany:—

> ". . . . They (the English Conservatives) hold the view that pogroms are not a life and death necessity for capitalism and can therefore be avoided. *They have understood nothing of Fascism's method of transforming class struggles into racial struggles.* They do not as yet need to transform their own class struggles in this way." (Our emphasis).

Anti-Semitism, although it has especially deep historical roots in Germany (discussed in great detail), is shown to have developed in a really large way in the last decades of the nineteenth century. Capitalism was then expanding at great speed. With it grew the working class movement, the trade unions, the Social Democratic Party, the attraction of socialist ideas.

Anti-Semitism was therefore used to divert the growing hostility to capitalism as a system, to hostility against one section of capitalists only—the Jewish capitalists. The Nazis, later on, improved on this. Anti-semitism became the weapon used not only against Jewish capitalists, but against Communists and Socialists, the Jews being declared to be the source of both.

To achieve these ends all Jews had to be smeared as alien, un-German and hostile elements. Thus was the ground laid for "The Final Solution".

In a long Introduction the position of the Jews in Germany is described against the background of the decisive events of modern times.

The remaining six chapters are devoted to "The Final Solution", describing its various phases beginning with the isolation and "de-Germanising" of the Jews, the political and juridical preparation, especially the notorious "Nuremberg Laws"; the transition to mass murder of Jews in the camps; "The Final Solution" in all its horror and the last phase of the extermination campaign from 1943-45.

The total impact is incredibly moving for the story includes the unspeakable bestiality of the Nazis, the indifference of big sections of the German people to the frightful crimes being perpetrated, but also its opposite. This was the solidarity of non-Jews, catholics, protestants, liberals, progressives of all kinds who did not look the other way but, facing the greatest risks, helped their Jewish fellow citizens.

The story brings into relief the heroic resistance developed by the illegal Communist Party, the core of the anti-facist resistance inside Germany, both outside but especially within the Concentration Camps, often ignored by writers on Nazi Germany.

JOHN WILLIAMSON

We join with many active workers in the USA and in Britain in mourning the sudden death of John Williamson and we send sincere condolences to his family.

Details of his long years of service to the Communist movement on the international level, in the USA and, after his imprisonment in that country along with other leaders of the CPUSA, his deportation back here, have been given elsewhere.

Here we wish to comment firstly on his services to our journal. He contributed many informative articles on political and economic affairs in the USA. Secondly, on his great contribution to the cause of Marxist education, both as teacher and, especially, as organiser. This was marked especially by his devoted work at the Marx Memorial Library of which he had been very recently elected Chairman after serving for many years as Librarian.

Recent advances made by the library, its recognition as a centre for Marxist research and scholarship with a unique collection of books on the labour and trade union movements, the increase in its membership and affiliations, owed a very great deal to his energy, devotion and enterprise. His absolute and self-sacrificing commitment to his work took its toll and he suffered from ill health for many years.

The labour movement has lost an outstanding communist and dedicated champion of the cause of Marxist education in Britain.

TWO BOOKS ON GERMANY

Penguin Books have recently published two paperbacks on Germany.[3]

Golo Mann's book—a vast work of some 900 pages—is like the Curate's egg. Parts of the sections dealing with early German history and with the Bismark period are good. So are some of the sections dealing with the

[3] Golo Mann—*The History of Germany since 1789*, £1.50. Translated by Marian Jackson. Richard Grünberger—*A Social History of the Third Reich*, £1.15.

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

1918 revolution, the establishment of the Weimar Republic, the rise of the Nazis and their seizure of power. However, running through the whole book are currents of apologia—for German imperialism on the question of "war guilt" in World War I and for the social democratic leaders for their role from 1918-1933.

Mann argues correctly that the Great Powers were all alike, that Imperial Germany was no more wicked than any of the others. He shows, however, that in the particular case of World War I and its outbreak, the Germans were more immediately and directly responsible than the others. Also that they waged the war more brutally, especially in Belgium and France, than the others.

But he continues to plead that the Kaiser did not want the war, that the German ruling class had nor real war aims, that they were just victims of their own arrogance.

The same holds with regard to the Social Democratic leaders. These are men after his own heart, good, solid, moderate, "patriotic", Germans who saved Germany from "chaos" in 1918 and who eschewed nasty, Marxist ideas like "the dictatorship of the proletariat". But he also shows how these very qualities, plus their purblind worship of "order" and of the more rigid forms of bourgeois democracy led inevitably to the Nazi victory.

Nevertheless Mann keeps repeating that their motives were of the best.

While thus referring throughout to the "good" aspects of various German historical figures, he expresses no such sentiments about Marx and the German communists. His remarks about Marx are illiterate in the extreme, exemplified by the assertion (one of many similarly silly ones) that "Marxist philosophy denies the force of ideas".

The communists are his real *bêtes noires*. They are presented as the villains of Germany's post World War I history.

There are a number of shameful things about this book. First, the Reichstag Fire Trial is discussed without even a mention of Dimitrov; second, a bibliography of five pages at the end of the book contains no single mention of any of the publications of the German Communist Party, or by any leading German Communist. Finally, and most disgusting of all for a book by the son of Thomas Mann and for one who poses as a Liberal historian, the following whitewash of German and especially of Nazi agression:—

> "It is Europe's self-destructive problem that those who protected it in the East against an anti-European power were made to lay down their swords, not once, but twice, by a west European coalition allied with Russia." (p. 561)

LIFE IN NAZI GERMANY

Grunberger's book, is of a quite different order. It seeks to live up to its title and to discuss the features of Nazi society and, on the whole, does so.

The initial chapter on "Weimar" skates too lightly over the political background to Hitler's victory and especially of the role of the Social Democratic leaders during this whole period. The one which follows it presents a far too sweeping picture of overwhelming public support for Hitler, refraining from any mention of organised opposition to him of which there was a considerable amount, organised and led by the Communist Party.

But this book is useful and informative about the Nazi Party and its organisation and leadership, corruption, the cult of the Fuhrer, the position of the workers and of women; the structure and nature of justice, of the civil service, the universities, religion etc., etc. A final chapter is devoted to the Jews and "The Final Solution".

MAN AND ENVIRONMENT

We have often written in the Editorial Comments of the *Recherches Internationales* published in Paris. The *Recherches,* like *Marxismus Digest* is a quarterly journal, now in its fourteenth year, each of whose issues is devoted to a specific problem, and also consisting of selections of articles from the world marxist press.

The latest issue, a double number, (No. 77-78) is devoted to "Man and Environment", a subject which has been under continuous discussion in our own journal[4]. It contains studies by philosophers, scientists and ecologists from the German Democratic Republic, Italy, Poland, the Soviet Union and the USA.

In a most interesting Preface the *Recherches Internationales* emphasise a problem discussed by Richard Clarke in his *Marxism Today* articles—the way in which the real and most urgent problems of the environment have been turned in certain circles against all economic development and against the

[4] *Recherches Internationales*, No. 77-78, "L'Homme et l'Environnement", 2, Place du Colonel-Fabien, 75940, Paris, Cedex 19, France.

(*Continued on page 256*)

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Economic Problems of the Transition to Socialism in Britain

A Symposium on this subject, organised by the Economic Committee of the Communist Party, was held in February of this year.

We print in this August issue of *Marxism Today* three articles—by Sam Aaronovitch, Bob Rowthorn and Phil Goodwin—that are based on the papers with which the Symposium was opened.

We also print two articles—by Dave Purdy and James Harvey—based on their contributions to the Symposium discussions.

Britain and the World Economy: Breaking the Chains

Bob Rowthorn

(This article is part of a more extensive piece of work written jointly by the author and Michael Ellman, Ron Smith and Frank Wilkinson. The author is a lecturer in Economics at Cambridge University.)

1. Introduction

Any attempt to plan the economy and implement progressive social policies must come to terms with the realities of Britain's international position. She derives certain material benefits from her role as a major imperial power and yet at the same time her close links with the world capitalist economy restrict internal policies in a variety of ways. Britain is in the paradoxical situation of being both an imperial power and a dependent economy. Labour governments have always accepted this situation, regarding it as either inevitable or desirable, and have framed their policies accordingly, sacrificing the interests of the working class under the pressures of the world market and the demands of foreign creditors. In this article we examine the consequences of rejecting such a path and making a determined attempt to break the hold of imperialism and world capitalism on the British economy. We assume a specific scenario in which the rest of the Western World remains capitalist.

There is a view on the left that the power of world capitalism over the British economy is now so great that it is no longer possible on a national basis to gain any freedom of action to pursue progressive policies, and that change is only possible within the framework of a world or European revolution. According to this view, whilst the rest of the Western World remains capitalist, a detailed examination of the problems of creating socialism in Britain is pointless, diverts attention away from the basic task of establishing world socialism and may also fuel dangerous chauvinistic sentiments already so prevalent in this country.

There are, however, a number of problems with this cavalier approach. Firstly, it is based on a rather strange view of the dynamics of class struggle which are seen only on an international plane, completely ignoring their national dimension. One of the most effective ways of politically destabilising the world capitalist system would be a serious attempt to detach one of the main western countries from this system. Such an attempt will never be made if the left restricts itself to defensive trade union struggles, however militant, and to the building of an international movement. The left must take seriously Marx's words in the *Communist Manifesto:*

> "Though not in substance, yet in form, the struggle of the proletariat with the bourgeoisie is at first a national struggle. The proletariat of each country must, of course, first of all settle matters with its own bourgeoisie."

To do this requires a strategic perspective appropriate to the country concerned, which in turn requires a detailed understanding of its links with the world economy and the problems these pose.

Secondly, starry-eyed internationalism has served the left ill in the past. The Bolsheviks, for example, dreaming of a simultaneous world revolution, awoke to find themselves in power, surrounded by

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

formidable enemies and quite unprepared for the real material and political problems facing them. Even if one believes that European or World socialism is an imminent reality, prudence would suggest taking seriously the possibility that this is not the case and that the Left may take power in Britain before it does elsewhere. And, finally, those who talk of European or world revolution never get beyond the realm of abstract slogans which, valid as they may be, provide no theoretical perspective beyond the need to create an international working class movement, something which all on the Left support, even those such as ourselves who believe that the problems of socialism in Britain must be taken seriously.

The fact that we consider a particular scenario in which other western countries remain capitalist does not imply that we believe this to be the only possibility. A shift to the Left in Britain, for example, could well be part of a general European movement as a result of which it became possible to plan the socialist development of Europe as a whole. Clearly, the Left must retain sufficient flexibility to respond to such developments as they arise and lend them every possible support. It must also avoid the chauvinistic excesses and little Englandism that have characterised much of the campaign against the Common Market.

The national struggle in Britain against the forces of world capitalism is in fact international in two senses. Its success depends on the support of working class movements in other countries to prevent a trade boycott of the UK and to force their governments to adopt a co-operative stance towards a socialist Britain. And it is firmly internationalist in its attack on the roots of British imperialism.

2. Freedom of Action

Britain is deeply enmeshed in the world capitalist system. Its economy is highly international, both financially and industrially. The City of London is the world's leading financial centre; key industries are dominated by multinational firms, many of which are foreign controlled, and Britain relies heavily on other economies both to supply her needs and to purchase her goods. Much of the activity in these various economic spheres is conducted by capitalists operating in a virtually uncontrolled fashion. If these capitalists do not like what the government is doing or are unhappy about domestic economic prospects, they can shift their money abroad and precipitate a financial crisis in which the British government is faced with bankruptcy.

Particularly powerful in this respect are the multinational firms, which engage in currency speculation on an enormous scale. In addition they can undermine the balance of payments by importing what could have been produced in Britain and producing overseas what could have been exported. In these and many other ways the present situation subjects Britain to the discipline of the world capitalist system. Any government which tries to introduce radical changes in such areas as the distribution of income or the ownership of property will find itself facing bankruptcy as money pours out through the foreign exchanges and multinational firms boycott the economy, shifting their activities elsewhere. Sometimes this flight of capital may be politically motivated, an act of deliberate sabotage. More often it will merely be the natural response of suspicious investors, worried for the safety or profitability of their assets.

Under these circumstances the government has a number of choices. It can abandon its programme in a desperate bid to regain capitalist "confidence". Alternatively, it can finance the flight of capital by borrowing from foreign governments, but these loans will usually be given only on condition that the British government abandons its radical aims and behaves "responsibly". Or, finally, it can stick to its aims and fight the power of international capital. To succeed in such a struggle it will need to be both determined and resourceful, using every strategem at its disposal to divide and out-manoeuvre its opponents. It will need a strategic perspective to guide its day to day struggle, and most important, it will need to mobilise popular support at home and solidarity abroad both from the socialist countries and the working class movements of Europe and elsewhere.

3. What Can be Done?

Measures

Faced with the massive array of capitalist power we have just described, what can a Left Government do to ensure that its programme is not wrecked by the actions of hostile foreign and domestic investors? To begin with, at the first sign of trouble or preferably before, it can take emergency measures to prevent a flight of capital. Dealings on foreign exchange markets and the stock exchange can be suspended and foreign money banked or invested in Britain can be temporarily frozen. None of these measures is particularly revolutionary, having been used by right-wing nationalist governments such as those of Gaullist France or even in an earlier period by British governments. But, by their nature, they are stop-gap measures which must be replaced by a more flexible and comprehensive system of controls on capital movements, both short and long-term, together with controls on the behaviour of multinational firms covering their production, investment and foreign trade policies, the transfer prices they charge and so on. Naturally, these controls would have to be chosen in accordance with the general

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

priorities of the government as laid down in some kind of national plan.

But to believe that the process can stop here, that it is merely enough to impose controls on international capital, would be a mistake. Controls may not be effective and they may be resisted. Capitalists have at their disposal a number of means by which they can evade or completely sabotage controls. Capitalist institutions may prove obstructive, either by disobeying instructions or withholding vital information. Firms may reschedule overseas payments and receipts and the consequent "leads and lags" may cause the loss of hundreds of millions of pounds worth of foreign exchange. Or they may undercharge for exports or overpay for imports, thereby evading restrictions on the export of capital. In this respect multinational firms may prove the most troublesome, being the best placed both to evade regulations and withhold information.

Without the active co-operation of other states it would never be possible to develop a foolproof or even adequate system of controls on the operations of international capital. Since a left government is unlikely to receive such co-operation it would sooner or later, and probably sooner, be driven to more radical measures. Much of the international business of the City would have to be run-down and most of the rest taken over and administered directly by the Government. Equally, many international firms would have to be taken over, either completely or with majority government participation. Exactly which institutions or firms should be taken over or run-down, and when and how this should be done, depends of course on the exact circumstances of the time and upon detailed conditions which are beyond the scope of this article to discuss. Even so it is realistic to expect that the reaction of international capital would dictate a rapid and extensive transfer of ownership embracing the bulk of the City and many big multinational firms, both foreign and domestically controlled.

The need to run down parts of the City and take over foreign controlled multinationals would be reinforced by the reaction of foreign investors and their parent states. Faced with the inevitable uncertainties surrounding any Left government in its initial years, together with extensive controls on capital movements and business operations, many foreign investors would want to wind up their operations fairly quickly and withdraw their funds. This would confront the government with a number of possible choices. It could simply refuse to allow liquidation and risk retaliation in the form of trade boycotts or worse. Or it could confiscate the property of foreign controlled firms and repudiate Britain's financial debts. The risks of retaliation then would be even greater than if the assets concerned were merely frozen. Or, finally, it could allow some liquidation, paying off short-term debts and nationalising with compensation foreign owned subsidiaries. This would reduce, although not eliminate, the risk of foreign retaliation. The feasibility of such a path is discussed below. What matters for the moment, however, is simply that foreign capitalists and their parent states may not tolerate a policy of freezing the flow of funds into and out of the country and controlling the operations of foreign owned firms. Consequently, the government may then be compelled to wind-up much of the City's international activity and take over many foreign owned firms.

4. Breaking the Chains

Thus, in order to exercise effective power over the economy and because of foreign pressure for liquidation, a Left government would be compelled to nationalise wide sections of the City and industry and to wind-up much of the City's international business. Furthermore, in the absence of sympathetic regimes in what are now the advanced capitalist countries, it would in many cases be necessary to honour Britain's debts and offer compensation for foreign property nationalised.

This is not a question of abstract morality but of politics. In any particular case the choice between compensation and confiscation must be guided by general political criteria—which of these best contributes to the long-run survival of socialism in Britain; whether the assets concerned belong to poor countries which have long been exploited or to rich imperialist countries, and so on. In most cases, provided the money can be found, compensation is likely to be the more advisable course, for widespread confiscations, especially of European owned property might lead to a crippling trade-boycott which seriously damaged the regime's chances of survival or drive it in the direction of greater authoritarianism as its popular base was eroded.

The obvious question at this point is could the money be found? If the answer is no, then a serious Left government might be driven into a confrontation with one or several of the major capitalist powers, as were Chile and Cuba who had little choice but to take over foreign property without compensation. For each of them the costs of confrontation were high and had they been able to pay compensation their relations with the United States might have developed differently, although given the threat their existence posed to US interests throughout Latin America, this is not certain. Even so, the confiscation of American property provided the US Administration with the excuse that it needed to act against the regimes concerned. Had they offered genuine compensation it would have been more difficult for the US Administration to justify its policies to the American people.

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Fortunately Britain is not a simple neo-colony as were Cuba and Chile. British capitalists own enormous assets overseas and, if these were requisitioned by the government, they would in theory be sufficient to repay all of Britain's debts, buy out foreign subsidiaries in this country, thereby weakening British capitalists by depriving them of foreign support. In practice, of course, things would not be so simple for many of Britain's assets overseas such as industrial subsidiaries would be difficult to sell quickly, except at knock-down prices, and there might be serious political problems in actually requisitioning them. Even so, the existence of these enormous assets provides opportunities for a determined British government not available to its counterparts in Cuba or Chile.

TABLE 1
UK External Assets and Liabilities End 1973 (£ millions)

	Assets	Liabilities	Net Assets
Private Sector			
Industrial			
1. Non-oil	9,725	4,655	+5,070
2. Oil	2,350	1,900	+450
3. Total industrial	12,075	6,555	+5,520
Financial (The City, etc.)			
4. Eurodollar banking	35,719	39,017*	−3,298
5. Sterling banking	3,665	3,271	+394
6. Portfolio	7,150	2,925	+4,225
7. Other financial	2,439	2,548	−109
8. Total financial	48,975	47,760	+1,215
9. Total Private	61,050	54,315	+6,735
Public Sector			
10. Long-term loans etc.	1,790	1,545	+245
11. UK official securities		2,651	−2,651
12. UK short-term borrowing		1,091	−1,091
13. UK official reserves	2,235		+2,235
14. Total Public	4,025	5,285	−1,260
15. Grand Total	65,075	59,600	+5,475

Source: Bank of England Quarterly Bulletin, June 1974.

Notes: Totals are rounded to the nearest five, following Bank of England practice.
* includes £890 millions borrowed abroad by UK banks on behalf of public bodies.

British Assets

Table I based upon data published by the Bank of England gives a breakdown of Britain's external assets and liabilities at the end of 1973.

In almost all spheres the private sector is a massive net creditor. British industrial firms own production facilities overseas worth £12,000 million which is nearly twice as much as the holdings of foreign industrial firms in Britain. Even if British holdings in underdeveloped countries are excluded from the picture, Britain remains a net creditor, owning far more industrial assets in the advanced capitalist countries than they own here.

Similarly, the City is a net creditor. Britain's huge "portfolio" holdings of stocks and shares in America, Europe, Australia, South Africa and elsewhere are more than enough to offset comparatively small deficits in the Euro-dollar Market. Overall the City owns assets worth about £1,200 millions more than its liabilities. If the City could be eliminated by trading off Britain's financial assets against its

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

financial liabilities, this is the surplus that would remain.

By contrast with the private sector, the public sector is an international pauper. Part of the overseas expansion of British capital has been financed by official borrowing, with the result that the Government now owes a considerable amount overseas. Even so the overall position is still favourable to Britain, with private sector credits greatly exceeding public sector debts. If all UK private holdings overseas were taken over by the Government, it would be possible to reduce dramatically the hold of international capitalism over the British economy. In some cases foreign firms could be bought out and financial creditors repaid. British holdings of US securities, for example, could be sold and the money used as compensation for American firms taken over, or where appropriate to purchase a majority holding in such firms.

British holdings in underdeveloped countries would have to be treated rather differently from those in the developed world. The simplest, and probably the best solution, from our own point of view, would be to hand over British investments free of charge to the countries concerned, offering to provide any technical assistance necessary for their continued operation. This would open the way for genuinely co-operative and mutually beneficial trade agreements between Britain and the countries concerned.

There remains one important problem. Would it be possible to requisition British assets held overseas? There are certainly precedents. In both world wars the Government requisitioned British assets abroad and sold them to pay for the war effort. Legally there is no reason why this should not be done again. In the final analysis, of course, it would not be international law but politics which decided the issue. The capitalist world would only accept such a programme if it was faced with a determined Government, willing to mobilise popular support at home and working class solidarity abroad.

Costs

The balance of payments would be affected in a number of ways by the above programme of requisitioning British assets overseas and reducing substantially the role of the City, the activities of British companies abroad and those of foreign companies in this country. Many of the overseas earnings of the City would be lost, for its business would contract as foreign capitalists moved their funds to safer havens. British property income in the form of interest, profits and dividends from abroad would decline, as would payments of property income to foreign capitalists with investments in this country. Table 2 gives a pessimistic estimate of how some of these changes might affect the balance of payments. Details of the calculations are given in our forthcoming book.

Broadly speaking, we assumed that the bulk of service income received by the City would be lost as would all net UK property income from abroad. Given these assumptions we estimate that the annual service income of the City would drop by about £380 millions, and net UK property income by about £500 millions, giving a total of £880 millions. This would be a big loss but it would not cripple the economy. It is just a little larger than British exports earn every fortnight. It is also equal to about one and a quarter per cent of gross domestic product. If unemployment could be reduced by about 400,000 and the additional output sold abroad, the entire loss would be made up.

Great efforts have been made to convince the British people that their well-being depends on the continued activity and expansion of the City and the overseas investment of British firms. "Invisibles", we are told, provide a large and indispensable part of Britain's foreign exchange earnings. And so they do. But we are rarely told that the bulk of these earnings have nothing whatsoever to do with the City or overseas investment, but consist of such items as shipping and civil aviation. The City itself accounts for only one tenth of all invisible exports and less that four per cent of total exports. Its receipts are little larger than those of civil aviation alone and only a quarter of those British shipping. Banking, the most troublesome of the City's activities, earned a mere £77 millions of foreign exchange in 1972.

One item often mentioned in this context is the export of capital. It is widely believed to be one of the main components of Britain's balance of payments deficit. Savings of £1,500 millions are sometimes quoted as the immediate benefits of banning the export of capital. This is in our opinion incorrect. In the first place, Britain's massive deficits are on *current* account which excludes all capital transactions. A ban on capital export would have no direct affect on such deficits. In the second place, the export of capital has recently been matched by corresponding imports in the form of foreign long-term investment in Britain and borrowing overseas by UK companies and banks acting on their behalf.[1] A radical programme of dis-

[1] In 1972—a record year for capital export—UK private investment overseas was £1,479 millions. Against this can be set the following imports of capital: direct borrowing overseas by UK companies and institutions £252 millions, foreign currency borrowing (net by UK banks to finance UK investment overseas £733 millions), and £721 millions provided by foreign direct and portfolio investment in the UK.

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

engagement from the capitalist world system would lead to a drastic fall in this inflow, sufficient to offset any saving in the export of capital. Britain cannot expect to have its cake and eat it.

There remains one more cost to be mentioned which is impossible to quantify but could prove important. A substantial part of Britain's trade takes place within multinational firms; components produced in one country are shipped to a subsidiary of the same firm in another country. Ford motor cars, for example, are produced on a European-wide basis. If a foreign subsidiary in this country were nationalised its parent company might refuse to supply necessary components or purchase its output, causing a significant if temporary dislocation. But this weapon cuts both ways, for the parent company itself often depends on its British subsidiary. Given an appropriate combination of threats and blandishments a determined British Government could in the short-run take over many foreign subsidiaries and continue trading as before, but in the longer run it would be wise to diversify and lessen dependence on the former parent companies. Even so, the multinational companies pose difficult problems for any British government attempting to disengage from the world capitalist system.

5. Military Alliances and the EEC

Britain has signed treaties which would inhibit any Left Government attempting to transform the social and economic structure of this country, both directly through their military and political provisions and indirectly through their economic costs.

Under NATO agreements American troops are stationed in Britain and British troops in Germany. The former would provide valuable allies for reactionary forces in Britain, should they attempt to overthrow our democratic institutions, whilst the latter although safely out of harms way, are very expensive to maintain. This reactionary alliance should be wound up. One immediate benefit of such a step would be a reduction in the level of overseas military expenditure currently running at around £400 millions a year. Further savings could be made by withdrawing from imperial outposts in the Far East and elsewhere. Some of the expenditure is used to purchase exports from Britain so the actual savings of foreign exchange would be less than the full figure. At the very last, however, £200 millions per annum could be saved.

The Rome Treaty binding Britain to the EEC also inhibits our freedom of action significantly by imposing conditions on the way the economy is run. Effective planning is prevented by: free trade within the Market; movements towards the greater mobility of capital; competitive requirements for nationalised industries and so on. In the longer run, if it survives, the Common Market may reduce national sovereignty even more and Britain may be administered as part of a unified and capitalist West European bloc. Under present circumstances this would make a radical shift to the Left impossible in Britain. Naturally if Continental Europe went to the Left the situation would change and it would be correct for our working class to support integration. But, as things stand, this is not likely and for the foreseeable future the Common Market will be an alliance serving to consolidate and extend capitalist power in Western Europe. To oppose it is not chauvinism but class interest.

Until now the foreign exchange costs of Common Market membership have been less than anticipated, as world food prices have risen dramatically. Quite soon, however, world prices will be paying large amounts under the Common Agricultural Policy. It will also be importing very expensive food from the Common Market instead of cheaper, although still expensive food from elsewhere. On the most conservative calculations, the direct foreign exchange costs of Common Market membership will soon be at least £400 million per annum. This is in fact the official Treasury estimate of Britain's annual net contribution to the EEC budget by 1980.

6. Direct Effects on the Balance of Payments

Table 2 brings together some of the balance of payments effects of the above forms of disengagement. Drastically cutting Britain's role in international investment and finance would produce a *maximum* loss of £880 million in the form of service and property income foregone. Against this must be set the savings from pulling out of the EEC and bringing the troops home. Between them these would mean a *minimum* saving of £600 millions per annum. Overall the net loss would be at most £280 million. This is a mere 1.5 per cent of Britain's total exports of goods and services, and is equivalent to the output of 100,000 workers—one sixth of the registered long-term unemployed in 1973. A small price to pay for the freedom of action a Left Government would gain as a result of disengagement.

In addition to this figure there are of course the losses caused by changes in the pattern of international trade following attempts to control the activities of multinational firms or the nationalisation of their subsidiaries in this country. As we have seen above, however, no quantitative estimate can be made of these and they might be small or large depending on the exact course of events.

7. Foreign Trade

Recent predictions suggest a current account deficit of well over £3,000 millions in 1974 and a cumulative deficit by 1977 of nearly four times as much. With a higher growth rate the deficit would be worse, and any determined attempt to break

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

TABLE 2

Estimated Direct Effects on Balance of Payments
(£ millions 1974 prices)

Losses:	
1. City Service Income:	
Insurance	235
Banking	90
Merchanting	20
Brokerage	35
Total City	380
2. UK Property Income (net)	500
Total Losses	880
Gains:	
3. Overseas Military Expenditure (net)	200
4. Common Market	400
Total gains	600

Net Loss = £280 millions p.a.

with the world capitalist system might impose further costs on the balance of payments. In the present situation a socialist government would have no practical alternative but to take vigorous steps to reduce this deficit. Not to do so would saddle Britain with huge debts to foreign bankers and governments and give the capitalist world a veto over our economic and social policies. But it would also be wrong to adopt the orthodox solutions of devaluation or deflation, for the former by itself is hopelessly inadequate, (though it might be useful as one component in a total strategy), while the latter involves unacceptable costs in terms of unemployment and waste.

Immediate action to hold down imports and raise exports would be essential, involving a crash programme to produce exports and import substitutes; direct controls to hold down imports; and negotiations to expand exports, especially by developing new markets with socialist and third world countries. The main aim of such a crash programme would be to eliminate completely the non-oil deficit and to permit a fast and sustained growth of domestic output unconstrained by balance of payments problems. In practice, a socialist government might have to go further and attempt to eliminate the oil deficit itself, should the Arab countries refuse to finance oil inflows until North and Celtic Sea fields reach full production. Though Britain could reduce its oil deficit by switching from suppliers such as Kuwait and Saudi Arabia which cannot absorb a large quantity of British exports, in favour of such countries as Nigeria, Iraq, Iran and the Soviet Union, which may be prepared to exchange oil for British goods.

In the longer term trade can be planned in a variety of ways—direct controls in the form of import and export licences; State trading so that goods are bought and sold overseas by Government agencies on behalf of private or official clients; and domestic nationalisation so that the import and export decisions of firms are directly determined in conjunction with the central planning authorities. If British trade was planned in this way it would be much less difficult to combine sustained economic growth with national solvency. The National Plan of the last Labour Government foundered, not because of union militancy or a failure to devalue, but because no serious attempt was made to plan and control foreign trade.

Long term trading plans would have to recognise the need to establish alternative patterns of trade, especially with the third world and the socialist countries. This would imply certain planned shifts of production, for example existing capacity in the motor industry could be used to produce trucks and

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tractors for the third world. There could also be a planned expansion of trade with capitalist countries either on the basis of a negotiated realignment of currencies or in the last resort by bilateral deals. At the moment, the benefits of much trade are only marginal, for instance we just exchange different brands of car with other European countries. But certain imports are essential and we must be able to produce and sell the exports to pay for them, therefore it is fundamental to the development of the economy that trade is organised effectively.

8. Retaliation

If all of Western Europe and North America united to boycott the British economy the effect would be crippling. Together they account for two-thirds of all Britain's imports and exports. The loss of these is the spectre always raised by the defenders of free trade whenever planned trade is mentioned. But is such a widespread boycott likely? The answer depends, of course, on Government tactics and strategy. Outright confiscation of all foreign property in this country, combined with random and senseless cuts in imports might provoke fairly wide retaliation. On the other hand, if Britain offered compensation for property taken over and proposed reasonable trade deals, most capitalist countries would have strong reasons for co-operating. The alternative would be a protracted trade war which few of them can afford, together with the possible loss of their property without the compensation originally offered. In the case of Europe, with its progressive Labour movements, it would also be possible to mobilise working class solidarity against a boycott. There is, therefore, every reason to believe that a determined but reasonable Government could negotiate a new system of planned trade with Western Europe and most of the rest of the world.

One problem arises in this context. The US might institute a single handed boycott of the British economy in an attempt to bring down the Government. Against this Britain would have a powerful weapon. It could threaten to nationalise without compensation all US property here. Equally important in deterring an American Administration would be the knowledge that Britain is not so very dependent on America, which accounted for only one tenth of our trade in 1973. The most important items were tobacco and wheat. The former would have to be replaced by other, less familiar types and the latter could be purchased on the world market. Indeed, more wheat could be grown at home. Increased trade with the socialist countries would also help cushion the impact of an American boycott. Given Britain's alternative sources of supply and markets, a boycott might easily boomerang, causing insufficient dislocation to bring the Government down, whilst being widely resented as an interference in our internal affairs. For this reason the US administration might decide that a boycott would do more harm than good.

MARXISM AND THE FAMILY

SELECTED CONTRIBUTIONS
FROM A DISCUSSION IN
MARXISM TODAY

A Communist Party Pamphlet **25p**

Please post MARXISM TODAY to me every month.

I enclose:
£3.75 for one year
(U.K. and abroad)

Name .....

Address .....

.....

.....

Post with remittance to:

CENTRAL BOOKS LTD.
37 Gray's Inn Road, London, WC1X 8PS

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The Next Stage[1]

Sam Aaronovitch

(*Author of 'Monopoly', 'The Ruling Class' and 'Economics for Trade Unionists'.*)

We are sometimes so bemused by comparisons with the Great Depression of 1929-33 that we may fail to see the significant increase in the difficulties of world capitalism. We can make the qualitative judgement that the era of uninterrupted capitalist expansion after 1945 within which the overwhelmingly predominant US capitalism acted as lynch-pin and arbiter, has been giving way to a new period. This change has special meaning for British capitalism which enters this more stormy phase, having, for the past fifteen years seen the veils concealing its changed world position, stripped off. It is at a moment within this phase that a minority Labour Government has taken office. The economic, political and social problems it faces are therefore much more intense than those faced by the 1964 Labour Government. Let us look at the international and national aspects in a little more detail.

The downward twist given to capitalist economies by the massive increase in oil prices with the consequent deficits in the balance of payments for the oil importers is superimposed on the break-up of US dominance. At a time therefore when international co-operation between capitalist states is more urgent than ever to meet the consequences of such changes, the difficulties in the way of such agreements are greater. The severe political crisis in Italy under the combined impact of Government failure and creditor pressure on loan terms; the shock created by Italian import restrictions and the hasty agreement by the Governments of ten countries to ease Italy's borrowing situation by allowing an increase in the gold price for security against borrowing (Italy having a large proportion of gold in her reserves)—such developments illustrate the interplay between political crisis and economic difficulties.

The advanced capitalist countries (as measured by the countries of the O.E.C.D.) are likely to experience an economic downturn for the rest of 1974. For most of them 1974 will show a sharp fall in their annual *rate* of growth e.g. for the United States an estimated rate of 1.0 per cent against an average 1961-71 annual rate of 4.1 per cent; the corresponding figures for Japan are 3.8 per cent as against 10.2 per cent; for France 4.0 per cent as against 5.8 per cent; for West Germany 2.5 per cent as against 4.6 per cent; for the UK however, a negative rate of —1.0 per cent as against 2.6 per cent for 1961-71. The decline in jobs tends to follow the fall in output rates with some lag. The N.I.E.S.R. estimated (May 1974 p. 53) that "on the whole it seems likely that unemployment in the O.E.C.D. area will tend to rise during the remainder of the year. . . ."

This immediate prospect of a world downturn is aggravated by the uncertain effects of the use of the vast new revenues by the oil states and the increasing doubts as to the stability of the Euro-dollar market whose growth has been phenomenal but over which no supra-national control exists.

Within the UK the prospect is of accelerating inflation in 1974 (consumer price rises of 17 per cent) and a further 13-14 per cent through 1975; unemployment rising to between 700-800,000; gross fixed investment falling by $3\frac{1}{2}$-4 per cent with a disastrous fall in private dwellings. 1974, Mr. Short told Parliament (25/6/74) would show little rise in investment in plant and machinery in manufacturing industry over 1973 when there had been a 20 per cent fall.

Sections of the secondary banking system and several property empires have been near to collapse or have crashed though we have also seen a remarkable example of bourgeois class solidarity in the financial sector supported by the Bank of England. A sidelight on the crisis is offered by the immense respect accorded by the press to Jim Slater when he pronounced the gospel that a man's best friend is cash. Short-term lending and speculation (the circuit M-M[1] as the core) and pulling out of productive operations reveals something of the crisis of British capitalism.

These developments naturally set up deep disturbances in the working class and among all circles of British people. After modest improvements in real incomes between 1963 and 1972 to which the wages struggle of 1970-71 largely contributed, 1973 and 1974 show a decline. But even if we take the entire period 1963 to 1974 (and accepting the calculations of the N.I.E.S.R.) real disposable average male earnings increased by no more than 16 per cent in those 11 years (or about £2.50 a week

[1] As stated elsewhere in *Marxism Today* this article is based on the contribution made to the February 1974 Economic Committee seminar. It is also a continuation of the author's article published in *Marxism Today* in March 1973, "Perspectives of Class Struggle and Alliances."

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

in 1963 prices). On the surface, money earnings increased from £18 a week to £47 a week. Increases in income tax and a near doubling of retail prices ate this money increase nearly all away. In this same period output increased by about 37 per cent.

The Trade Union movement has had to run very hard to move a short way and needs to draw sharp political conclusions from this.

This brief review of international and domestic circumstances suggests in spite of Fairy Godmother North Sea Oil that British capitalism has less room to manoeuvre and regards a continued reduction in real incomes as a necessary part of any policy.

The Minority Labour Government

The organised workers proved capable of defeating the Tory Government but not yet capable of establishing a Labour Government with a secure majority. The minority Government has come into office at a very disturbed period. Within capitalist Europe signs of instability increase (we have already mentioned Italy but there is the sharpened fight of the Left in France; the weakening of Franco's rule; the dramatic changes in Portugal with its repercussions in Africa, to mention some developments).

In these conditions we would predict that the British bourgeoisie would be driven increasingly towards more intensive state monopoly capitalism (of both the formal and informal kind) because the need for "national" strength in the international bargaining situation and for further measures of restructuring industry and of national control of domestic policies have become more important. But there are complications. First, there is international pressure to avoid "national" solutions (such as controls of imports and capital movements) in which the USA is playing an important part. And second, the shift to the left in the Labour movement with the greater drive for extended public ownership makes such moves politically dangerous.

In the 1964-1970 period, the Labour Government acted mainly as the means of extending state monopoly capitalism using such instruments as the Department of Economic Affairs, the Ministry of Technology, the I.R.C. Much of the progressive element there was then in the Labour Party programme became meaningless formalities. The far more comprehensive and radical Labour Party programme drafted before the recent elections under left pressure could itself be transformed into a further strengthening of the links between big business and state if the Labour movement itself does not act to prevent this happening.

The problem arises because the minority Labour Government is predominantly right-wing. The way I put the matter at the February 1974 seminar was as follows:

> Perspectives and possibilities will vary according to the outcome of the coming General Election, itself naturally influenced by the movement which precedes it. At this stage of the movement a Tory victory will be a setback. The Tory offensive would continue, even intensify and the resulting fight would hold the centre of the stage. A Labour victory will tend to dampen struggle but the movement has shifted to the Left compared with 1964 and the political latitude for the right wing is less. In any case constructive policies are put on the agenda. The character of the movement to defeat the Tories is important because there is clearly much political volatility in the country. Much greater left unity needs to develop on the measures needed to tackle the 'crisis'.
>
> Assume at this point a Labour victory. If elected this year, a Government dominated by right and centre elements is the most likely. It will face a situation more severe than that of 1964. According to the size of its majority etc., it may be defeated under the stress of developing crisis and its failure to fight. Or mass pressures may be enough, the connections between the mass struggle, the Trade Unions and the Labour Party strengthened sufficiently for that Government to alter in composition and direction.

The size of the Liberal and Nationalist vote, which could not be exactly predicted, has obviously complicated matters, not just for the Labour Government but for the Tory opposition though in whose favour it will work best (tactically, that is) has yet to be seen.

Ideologically, the central slogan for a right and centre Labour Government has been that of "equality" (see for instance the various writings of Tony Crosland), but such a slogan turns sour in a period of combined depression and inflation.

Because of the change in the Labour movement the "dampening" of struggle I referred to at the February seminar, is bound to be temporary. Tories and big business naturally see the answer in further repression. The C.B.I. is evidently being reorganised and "cleansed". There is discussion on the formation of a small policy group constituted by the leading figures of the biggest firms in the country. Presumably large scale financing is being arranged for a propaganda battle against any left actions and declarations by the Labour government and the Labour Party. The Government itself is on a political tightrope knowing it must go to the country within a matter of months and must somehow rein in the growing discontent (the developing struggles by workers in the public sector, the refusal to accept the "social compact" on wages, the deepening crisis in Northern Ireland). It is

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

obliged therefore to make concessions which preserve trade union and rank and file support (preferably those which are not too costly in the short term) and it must agree on an appropriate election strategy in terms of its proposals.

It is at this point that the statements and policy proposals associated with Wedgewood Benn become of critical importance. They are obviously the subject of intense debate within the Government and we would be wrong to treat them as if they were simply tactical instruments. Similarly, the C.B.I. and Tory attacks on Benn should not be regarded as "shadow boxing". Behind the manoeuvres a critical battle is underway for the type of programme a left-moving Labour government should seek to implement. In Benn's document (published by the Labour Party) the National Enterprise Board he proposes would be used to:—

A—Influence major companies in each manufacturing sector through competitive stimulus by giving a lead in investment, pricing policies etc.

B—Rationalise the industrial structure in each main sector in line with longer-term public need rather than short-term market considerations.

C—Act to reduce the growth of monopoly power by inserting public enterprise competition where this is needed.

D—Use its initiative in new physical investment to create a more regionally-balanced location of industry.

E—Retain public control in areas of the economy of great national interest, and if necessary check foreign takeovers.

F—Counter the multinationals by empowering a tougher bargaining stance for Government, particularly over new investment location.

G—Underwrite national employment objectives, including, where necessary, the use of a strong external management back-up for ailing firms.

The National Enterprise Board would be formed initially out of existing Government holdings in industry and would then move on to purchase key sector leaders in manufacturing industry.

These proposals need to be considered together with the proposals, albeit limited, for further nationalisation in the Labour Party draft programme

A large scale and fierce public debate on the policies to be fought for by a Labour Government is beginning. The degree to which the organised Labour movement takes the initiative in this debate and links it to the struggle on immediate needs will affect the outcome of the coming General Election and the level of consciousness of the movement. It is if this does *not* happen that the effect of the combined Tory offensive and right-wing domination will convert the draft programme into a (less formal) type of big-business-state link up.

Marxists will want to focus the debate on policy on the key areas of big business domination of the economy, the bourgeois state, and right-wing social democracy.

One way of trying to clarify perspectives is to consider the type of Government the socialist movement would regard as a significant advance.

A Government of Left Unity

I have chosen the term *Government of Left Unity* rather than *Labour Government* or *Left Labour Government* in order to define more closely the political character of a Government that would represent such an advance. Implied in the label is a Government based on powerful movement of left unity which has become the dominant trend in the Labour movement. By Left unity I mean not simply an informal consensus of a left policy but an agreement underpinned by substantial united action and joint discussion between Communist and Labour and militants on crucial issues of policy. A Labour Government, as I suggested at the February seminar, can become such a Government under certain conditions and the unity of the Left that would shove and push it in that direction is precisely what we are seeking to establish *now*. It hardly needs to be argued that what is at issue is not a Government poised to carry out the socialist reconstruction of Britain but one prepared to mobilise people for drastic and radical measures which millions begin to see are needed to cope with the problems faced by them. We can be sure that a Government that sets out along this path will face the issues of state power very swiftly.

Viewed in an abstract way, the factors involved in securing the creation of such a Government are:

a) the degree of working class unity around its main core, noting the important role of workers in distribution, white collar sectors etc.

b) degree to which all those strata and social groups which might respond to reaction have been neutralised or partially attracted to a left-moving programme.

c) the actual position, degree of unity etc., of the bourgeoisie.

d) international balance of strength, events in Europe, preoccupations of USA, degree of international working class solidarity, readiness of socialist world to respond etc.

e) The strength of socialist and communist leadership.

According to the way these conditions matured, the ground would be laid for a Government of left

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

unity which would not simply be a "development" of the next Labour Government.

The formulation of a programme which will appear to millions of people as credible and coherent becomes part of the political battle for such conditions; a battle in which the Communist Party needs to play a central part. The elements of such a programme exist in the work of our own Party, in the Labour Party draft programme, in the resolutions debated by many Trade Unions (for instance, by the Confederation of engineering unions on aircraft and shipbuilding, and the N.U.M. on mining).

I see the two broad objectives of such a programme as being a vast development of democracy and its corollary, public control of decisive sectors of the economy. What should be matters of public debate is the *character* of the changes we wish to see. What kind of growth and at what rate? What kind of "restructuring" of the economy? What place to urban development, private and public transport? What scope for national and regional development? What scale of resources to social services, education, housing, Concorde and projects of high technology? Some of the issues involved have come out for instance in both the Communist Party and TUC statements on the future of British transport.

The future shape of British society are not simply technical questions to be decided by technocrats. The struggle on decisions that are *now* being taken and on what policies should be followed are important ways of "consciousness-raising". The Party has much to do and much to contribute in answering these questions and hopefully readers of *Marxism Today* will themselves make contributions. In this article I consider a few only of the economic aspects of such a left unity programme.

Extending the Public Sector

The strategic aim of a Left unity government would be control of (i) key internal and external financial flows; (ii) basic services to the people and economy; and (iii) sectors decisive for capital formation.

In the first case, the issue is the power to mobilise and direct finance with consequent controls on capital movements, financing of trade, manufacture and consumer expenditure. This would involve changes in the personnel and functioning of the Bank of England and Treasury; public ownership of UK Clearing Banks and of the largest insurance societies; but leaves open the question of the important British owned overseas banks, the finance and HP houses, merchant banks, Lloyds, Stock Exchange etc.

In the second case (basic services) much greater agreement already exists in the movement on comprehensive energy and transport policies; adding North Sea oil and gas to the public sector, full ownership of BP and Shell, plus overall control of refining. Public ownership of urban land is more widely approved. In the spheres of construction, ownership of building material producers, large construction companies, and municipalisation of rented accommodation.

On the third aspect (capital formation), in addition to those matters already dealt with under energy, extensions of public ownership are called for in heavy electrical engineering and telecommunication; part of electronics and British owned computer firms (ICL); special steels and tubes; large machine tool companies, shipbuilding, aero-engines, aircraft and shipbuilding. Giant firms are involved in such reconstructions, including GEC, Plessey, Hawker Siddley, GKN, Vickers, sections of chemicals and petrochemicals involving ICI.

This would still remain a limited programme of public ownership in manufacturing industry. It excludes most foreign owned firms; the vast bulk of engineering firms; substantial part of chemicals; most consumer goods industries; the larger part of wholesale and retail trade (apart from the strengthening of the Co-operative Movement). And it is in the supervision and co-ordination of this enormous sector that much more thought needs to be given (and a critique of Benn's proposals could be a start).

The above programme even if carried out, is far removed from what would be needed for full scale socialist planning but limited though it is, the increase in leverage for a left unity government would be very great. Note that even *now*, Central and Local Government expenditures account for 42.8 per cent of GNP (1968 estimate) and approximately 50 per cent of the total wage and salary bill. The Public Corporations now account for about 11 per cent of all gross output.

The additions proposed above would (on the basis of some simplifying assumptions) increase the public share of industry gross output to about 40 per cent and about 30 per cent of profits whilst the share of total investment would be nearer 60 per cent. This excludes the extended public ownership in the non-industrial sector (finance, land etc.).

In turn, this means very great leverage in inputs and output, exports and imports, financial and industrial interrelationships (note that the financial organisations currently own about 30 per cent of the shares in British firms). Somewhere around 100 very large firms would be directly involved (though not necessarily the 100 largest).

A Left unity government would obviously want to encourage other forms of co-operative and municipal ownership which could add to the force of this programme.

There is a powerful argument to be made for each of these proposals which can be understood by

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

millions who at this stage do not think in terms of revolutionary change.

Democracy in the Public Sector

What is the connection between the attempt by such a Left unity government to expand public ownership and the struggle to increase working class power?

(i) A government beginning to implement some such programme would be involved in a process of creating new public sectors (and altering the *existing* public sectors) in such a way that it would have powerful working class influence built into it at all levels. If created in this way with substantial autonomy, these sectors would be powerful centres of struggle for further change in the economy and in state power, against sabotage from the right. Power reversals would be more difficult. We still have much to do on proposals for such "workers control".

(ii) Simultaneously, the objective would be a network of relationships between the expanded public sector and other working class and democratic organisations especially at local level but also with Parliamentary Committees etc.

(iii) The public sector as user and supplier would be deeply involved with the remaining private sector at home and also with public and private sectors in other countries.

What are the further implications of these proposals for the political system and state power?

Such proposals *must* involve some type of economic planning which will co-ordinate the public sector, give leadership or major investment decisions and influence the non-public sector for Government objectives.

We can imagine very early on some kind of *Planning Council* and auxiliary bodies with personnel *not* drawn from the traditional civil service; and links between this Council and municipal, regional and national authorities and parliaments.

The objective would be to release mass initiative.

Any development of this kind is unthinkable without attempting to recast the political, economic, repressive and ideological apparatus of the existing state which such a Government finds on its election.

It would plainly involve changes in the political system, of the powers of the House of Commons, elimination of House of Lords, changes in the finance of political parties, and in the financial and other powers of local authorities, national Parliaments etc.

I have discussed so far only two aspects of such a left unity programme. As issues of policy begin to become mass issues, the Communists need to open up all forms of joint discussion on the immediate measures to deal with the economic crisis and the action we are demanding of the Government i.e. a programme of left advance.

Conclusion

The details of such a programme necessarily change. The point I am interested in making is that any serious move towards working class power requires mass involvement and changes in political consciousness. This in turn requires a strategy which carries forward the shift to left policies and leadership in the Trade Union and Labour movement, develops united action, involves the widest circles of people in common action on urgent needs and builds up the strength of the Communist Party and *Morning Star* (see also Gollan's report to the 33rd National Congress).

Left Unity around the type of programme I have discussed represents, under present conditions, a serious challenge to bourgeois state power. The present offensive by the CBI and the Tory leadership against the arguments presented by Benn is part of an attempt to forestall such a challenge. But in turn, success in making such a programme the property of millions and organising mass struggle around its propositions greatly increases the strength of the forces for socialism.

Sometimes in our discussion on strategy we find two contrasting and, in my view, erroneous tendencies.

One is to think in terms of *watertight* stages as if development will inevitably proceed by a Left Unity Government carrying through a programme such as I have described, resolving difficult problems as a result and then deciding to go for the next stage. In fact, the content of any set of demands (e.g. bread, peace, land) depends more on the forces and conditions involved than on the specified propositions themselves.

A different tendency is to argue as if there were *no* stages. This can stifle serious discussion on the level of the movement, the questions of alliances and coalitions, and the way in which the movement proceeds to a new stage.

Our concern is not with *calendar time* (that is why terms like short-term and long-term may be confusing) but with *political time* (changes in the balance of forces which may occur swiftly or slowly).

Of course, to analyse the possibilities of this next stage we would need to pay far greater attention to changes in the international scene. We are part of a movement which is visibly shaking Europe.

Finally, one of the objectives of the Economic Committee seminar is to stimulate more work and thought on both the political economy of capitalism and of our strategy and on the political economy of socialism. I hope readers of *Marxism Today* who would like to contribute to this will get in touch with us.

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Economic Programme of a Transitional Government

Phil Goodwin

(The author, who is a Research Officer at London University, is Secretary of the Economic Committee of the Communist Party.)

Introduction

It is seven years since, at the 30th Congress of the Communist Party, the present version of the *British Road to Socialism* was adopted. In his speech introducing the new draft to the Congress, Jimmy Reid briefly mentioned one new aspect:

> "In the present draft there are important developments in what I will call the middle stage. The scope of the issues raised widens the aims of the struggle . . . they are calculated to make inroads into the power of monopoly capitalism."

A study of the pre-Congress discussion in *Comment*, of the amendments submitted by branches and district committees, and of the published material relating to the Congress, indicates that virtually no attention was paid to this new aspect. (Most of the discussion was around the linked but separate question of armed struggle or peaceful transition, and about specific demands rather than their overall impact.)

Since then, discussion on the programme has continued, but in spite of the frequent repetition and elaboration of this idea of "inroads", the question of *what happens* to capitalism when inroads are made has hardly been tackled.

The point of this article is to examine mainly the economic aspects of this question. There are three main parts to this article. (1) A brief consideration of the economic programmes of a few other Communist Parties, (2) a look at the historical development of our thinking on this, (3) a discussion of what effects can be expected when a Left government attempts to implement a fundamental programme aimed at making inroads into the economic power and policies of the monopolies.

(1) OTHER COMMUNIST PARTIES

At some stage a really thorough review of the economic programmes of the Communist Parties of capitalist countries will be undertaken, but that cannot be done here. A more brief examination is useful for one main reason: a number of other parties, with rather similar programmes to our own, have been much more explicit about their theoretical implications. This may help us to understand our own programme better.

In particular, the idea of a fairly distinct stage or phase, sometimes called "advanced democracy" (e.g. France) or "anti-monopoly democracy" (e.g. Germany) is spelled out. This stage exists before working class power has been won, when a Left government established by a broad popular movement, takes action which is usually described as "curbing" or "making inroads into" or "eroding" the power of the monopolies.

Such a government would take action on problems of inflation, wages, social services, taxes, housing, and employment, to benefit workers and small businesses, peasants and self-employed craftsmen. And it would nationalise some sections of the economy.

In a sense, nationalisation is the most important of all policies relating to the economy for a Left government, since its extent and character determine whether the means of production are privately owned and run for profit, or socially owned and run for society. This, and class power, distinguish between capitalism and socialism.

Extent of Nationalisation

As one would expect, there are differences in the extent of nationalisation proposed by different parties.

Thus the Communist Party in Japan are putting forward a relatively restricted programme of nationalisation, mainly in the energy sector (i.e. coal, gas, oil etc.), Kochiro Ueda, head of the party's policy commission, was quoted by Sam Russell (*Morning Star* 19.11.1973) as spelling out

> "it is not a power to pave the way to socialism, but a government for the fulfillment of the joint programme, having as its content the defence of the people's living standards and democratic reforms."

Only at a later stage is larger scale nationalisation envisaged.

The nationalisation measures proposed in the French common programme, while going rather

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

wider, nevertheless still are expected to leave the bulk of industrial production in private hands.

However, the Austrian Communist Party, for example, proposes nationalisation of "key enterprises", banking, insurance and "the multi-nationals" and like the German Communist Party put forward the theory that:

> "anti-monopoly democracy is a transitional phase: it is no longer capitalism, but neither is it socialism, as yet."
> (*World Marxist Review*, April 1974).

This is quite a widespread view among Communist Parties, although it is not one that the Communist Party of Great Britain here ever either explicitly supported or explicitly rejected.

Whether this idea does *by implication* form the basis of our approach is an important question, which will now be considered.

(2) THE DEVELOPMENT OF OUR PROGRAMME

The idea that the transition between capitalism and socialism will involve various stages and take some period of time is not, of course, a new one. In 1918, for example, Lenin argued in *Left wing Childishness and Petty Bourgeois Mentality*.

> "If in approximately six months time state capitalism became established in our Republic, this would be a great success and sure guarantee that within a year socialism will have gained a permanently firm hold . . . the present system contains elements . . . of both capitalism and socialism."

It is made quite clear that in this context "state capitalism" involves aspects of capitalist production *without* a capitalist state;

> ". . . and there is nothing terrible in it for Soviet power, for the Soviet state is one in which the power of the workers and the poor is assured."

In other words, this approach is based simply on the idea that political power comes first. Socialist *economic* construction is enabled to take place because state power is now in the hands of a different class.

The popular front Governments envisaged in the 1935 Congress of the Third International were rather different, being based on the over-riding need to defeat fascism, and this, rather than socialist revolution, was the condition for unity. However, in his reply to discussion Dimitrov distinguished between the significance of the popular front governments in different circumstances, and in particular.

> "In countries where the bourgeois democratic revolution is developing, a people's front government may become the government of the democratic dictatorship of the working class and the peasantry."

The idea here is that a government elected on a particular, limited but central issue, could develop into a socialist government.

Harry Pollitt, in *How to Win the Peace* (1944) set out the tasks of a new type of "Labour and progressive" Government, a programme mainly concerned with control of production and supply:

> "The government will have to own some important industries and businesses, and exercise strict control over others." (p. 43)

Certain "key industries" are named—coal and power, transport, iron and steel, the land, and the banks (p. 44) and it is made quite explicit that the programme is limited in nature, both by offers to modify aspects if it was felt to "go too far", and by limiting a policy on compensation to the very limited demand that private stockholders be bought out with general state bonds, not stock in the nationalised industries.

There is no question that such a policy would fundamentally change the relations of production:

> ". . . the capitalist would still make profits and the worker still draw wages. We have no illusions about that. But this policy will mean higher wages, shorter hours and full employment."

However, this is not seen as the end of the process:

> "It may be argued that what we have outlined here represents a series of developments that can only lead to State Capitalism. Well, what is wrong with that? . . . (it) . . . enormously assists the speedy advance towards working class power and the full establishment of socialism."

We regret that it is necessary once again—this time because of the increased postal charges in June—we have to raise the annual subscription rate for MARXISM TODAY to £3.75.

Subscriptions already accepted will be serviced until expiry date without further charge.

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Thus the labour and progressive government is seen as having a very limited programme, needing extensive class struggle to implement, and in the course of that struggle changing the people ready for a higher stage of struggle.

British Road

The 1951 edition of the *British Road to Socialism* was not an attempt to develop this idea further (Harry Pollitt's introduction specified "this programme is not an immediate election programme") but a description of the measures that would be undertaken by a socialist government to construct socialism. The main section is headed "People's democracy—the path to socialism" (p. 12), but it should be remembered that the use of the term "people's democracy" here was in the context of the developments in post-war Eastern Europe, and is not meant to distinguish a "left" from a "socialist" government. It is quite clear from the tasks set for this government that it has, in fact, the job of constructing socialism. It must:

> "Break the power of the millionaire monopolists and other big capitalists by socialist nationalisation of large scale industry, the banks, big distributive monopolies, insurance companies and the land of large land owners, and introduce a government monopoly of foreign trade. . . . Introduce a planned economy based on socialist principles."

This was described as changing "Britain decisively from a capitalist country to a country on the road towards socialism" and would make it possible to:

> "end restrictions and bring about a great increase in production, to re-equip and organise industry on the basis of a national plan, to increase the productive resources of the country, . . . improve wages and working conditions, reduce prices, extend all social services, and remove for ever the danger of economic crisis and unemployment."

The changes made to this programme in the 1957 version were mainly to make more precise and clear the same general approach—the government was now called a "Socialist" not "People's Government, and the sections on the conditions for a socialist revolution in particular were made much more precise and unambiguous. But the character of the government and the type of actions it would undertake are the same.

The 1967 version, however, shows an important new feature which at first sight appears to be an attempt to outline both a limited programme for a forthcoming Left government and a statement on the tasks of a socialist government. The latter section is (concerning the main economic issues) much the same as previous versions, but the former is not really comparable in any way, for example, the sections referred to in "How to win the Peace". In the 1967 Programme, under the heading "Next Steps Ahead", a "Programme of Expansion" (p. 32) is outlined, which involves nationalisation of electronics, computers, fuel and insurance, urban land, all foreign owned or controlled monopolies, control of capital investment, limiting inessential imports, ending sterling as a reserve currency, and ending overseas military expenditure. Price controls would be enforced. There would be workers' "rights of control" on all matters affecting employment.

Various different Congress resolutions, pamphlets or statements have since 1967 put more or less emphasis on different aspects of this programme, but the main features of this programme for expansion remain those outlined at the 32nd Congress in 1971, the 33rd in 1973, and in the public political work of the Party.

There was no explicit statement in the 1967 *British Road* on the character of government that would implement this programme, but it is stated (p. 47) that the winning of political power by the working class and its programme—i.e. the programme is designed not for a socialist government but for (as the latest Congress stated, *Comment*, 1st and 15th December 1973) "a Labour Government compelled by the mass movement to carry out left policies.

The word "fight" here introduces what seems to me to be a rather important ambiguity in our programme.

There is one passage in the 1967 *British Road* indicating that the programme for expansion is fully realisable and would have rapid beneficial effects:—

> "The winning of such a programme is essential for the development and planning of the economy in the public interest. It would bring about a far greater industrial efficiency and social well being, and make possible the proper planning of housing, industry and transport." (p. 32)

This is a very important passage, especially bearing in mind its similarity with claims made previously only with regard to a socialist programme, e.g. the passage quoted above from the 1951 version, or, from the 1957 version:

> "The national plan will also provide for the proper use of land in the interests of the people for both industry and agriculture. . . . It will be of the first importance to plan the location of industry and population, the reconstruction of towns and villages and the development of a road system adequate to modern needs." (p. 20)

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The "Next Stage"

Thus the "next stage" Left government is envisaged in the 1967 version as accomplishing a very substantial programme *before* the winning of working class state power and which achieves efficiency, social well-being and proper planning, not only of housing and transport, but of the foundation of modern production, industry itself. This must, indeed, be "no longer capitalism".

On the other hand, the tone of this passage is not fully in line with the following section, which spells out the tasks of a *socialist* government (p. 50):

> "At a time of mounting class struggle . . . a socialist Labour and Communist majority could be returned to Parliament, and a socialist government established."
>
> "A primary task of the socialist government would be to deprive monopoly capitalism of economic and political power."

Tasks listed include:

> "socialist nationalisation of all monopolies and other large scale concerns in productive industry and distribution, of the banks and insurance companies, and control of foreign trade and overseas relations.
>
> Initiation of socialist planning to cover the economy as a whole, in order to improve the working and living conditions of the people."

In other words, capitalism has *not* been ended, or eroded out of all recognition, by the preceding Left government.

One authoritative suggestion made at our seminar in discussing this possible contradiction was that the former passage quoted, the one about efficiency, social well-being and proper planning, was correct but misplaced. It should refer to the effects of the policies of a *socialist* government.

The point is that while all versions of the *British Road to Socialism* have emphasised the importance of class struggle against the resistance of the capitalist class, what has not been discussed is *why* a Left government attempting to implement progressive but non-socialist reforms is likely to lead to increased class struggle and a socialist revolution.

This is considered in the next section.

(3) THE EFFECT OF ANTI-MONOPOLY ECONOMIC POLICIES

If a Left government gets elected on a limited programme, but one which goes beyond liberal measures, it is to be expected that the monopolies and the capitalist state will start a political counter-offensive and an economic reaction. Without drawing up any precise blueprint, a *possible* development might go as follows:

A Left government starts to operate a policy of price controls, having been elected on an anti-inflation platform. Capital immediately demands wage restrictions, while the working class movement is pressing for advances in wages. To adopt the former policy would clearly be a step backward, a defeat; to adopt the latter a step forward.

But this in turn has its own consequences, putting pressure on profit margins (doubly so if the government has also a policy of paying for improvements in social services by increased profit taxation). The bigger and more powerful firms, if defeated in their political opposition to this, react naturally by trying to find loopholes in the price restrictions—changing product specifications etc.—thus necessitating stricter forms of control; by investment in more profitable areas overseas, necessitating control over capital movements; and in some cases of redundancies, dilution of labour, or even bankruptcies, necessitating direction of investment and takeovers. Firms with subsidiaries overseas will be able to get round controls on capital movements (by manipulating prices etc.) and thus closer control over accounts and investment policies would become necessary.

Problems of Allies

It is clear that as each of these problems arises, there will be pressure for different ways of solving the problem, with political unity and strength the deciding factor. As well as the monopolies there are substantial sections of small capitalists whose interests are harmed by monopoly capitalism but who would also be under serious pressure themselves, subject, certainly, to the price controls and inevitably also under increasing pressure from the workers they employ (who will be strengthened by the increasing pressure on the monopolies) for wage increases. In ensuring that at least large sections of these are prevented from rallying to the side of the bigger capitalists, the government will have to hit the monopolies still harder (or, again, take action against a section of the workers, which would be a defeat).

It is difficult to believe that the situation described is likely to be one of rapid economic growth without further measures to take over a substantial number of firms that are not undertaking it on their own.

Simultaneously, working class unity is, in fact, only going to be maintained if a number of crucial social improvements are initiated—on rents, mortgages and interest rates for example—and measures taken in response to changes in the supply of housing finance caused by these measures.

This is just one possible sequence of events, of course, and other possibilities exist. For example, a feature of recent experience in Portugal, described in a quotation from *Avante* in an article by Ted

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Slade, *Morning Star*, 3.6.1974, is that:—

> "the big monopolies can give out 'generous' remuneration quite outside the financial capabilities of the non-monopolist sector, not to benefit the workers and the people but to exacerbate popular discontent against the small and medium firms, provoking their ruin and the failure of the national economy."

The problems for a strategy relying on an alliance between workers and small business against the monopolies, if the monopolies are able to offer workers better wages than small businesses, are obvious.

We have never, of course, expected the struggle to be simple. The political skill of the leadership, the political maturity of the working class, and the tactical ingenuity and strength of the opposing classes, rather than blind economic laws, will settle the outcome of such struggle. But the point I would argue is that capitalism *does have* economic laws, and these are largely independent of the will of either the capitalist or working class.

No Standing Still

Because of this, the solution to one set of problems, within capitalism, necessarily involves tackling other problems, and in this at each stage the Government is forced either to go further or to retreat: there is no standing still. *At each stage, therefore, there is necessarily a widening of the areas of conflict between the bourgeoisie and the working class, and an escalation of the forms of that conflict.* It could well be that all the characteristic features of capitalist crisis—inflation, unemployment, bankruptcies, balance of payments deficits, and a falling rate of profit—could result from the natural capitalist reactions of capitalists to the measures undertaken against them by a Left government, unless, that is, the measures are accompanied in turn by more and more profound policies. Indeed, the fact that it is capitalism's own reactions that is hindering the successful implementation of widely supported policies is exactly what makes it possible—potentially—to extend the struggle further.

This seems to me to correspond with the idea of "mounting class struggle" as the background to a decisive election, i.e. the election of which the socialist revolution itself is inaugurated. It does not correspond, however, with the idea of a rapidly growing, efficient, properly planned, democratic economy, acting as a prelude to socialism. This latter idea, in my opinion, would be a misleading and inaccurate view of what "anti-monopoly alliance" implies.

If this perspective is an accurate one, the stage of "advanced democracy" (or perhaps a better name would be "advancing democracy") is to be seen as an *inherently unstable* situation during which the working class, its allies, and a left government engage in battle with the bourgeoisie and its state machine, culminating in victory for one or the other of these classes. While the speed of the process may be variable, and there would be from time to time changes in pace and in the relative advantage of the classes, nevertheless overall either the movement would continue right up to the point of socialist revolution, or else the progressive government would be overwhelmed and defeated.

The implication is that—given the political leadership and working class unity—a programme which is considerably less ambitious initially than that in the 1967 Programme could still culminate in a crisis at which the issue of class power is raised and has to be resolved. It would be also the case that the issue of class power would have to be settled not after the successful and full implementation of the 1967 programme for expansion but in the process of fighting for even a partial fulfilment of that programme.

A Note to Readers and Contributors

When *Marxism Today* was first started some eighteen years ago we had difficulties for a period in bringing together the articles needed to fill the space allotted to the journal.

Within a couple of years the situation began to improve and new authors started to contribute. A few years ago, a regular flow of articles and discussion contributions began to come in, and this year the flow has turned into a torrent.

This is extremely welcome. However, it brings with it some problems. Until we can enlarge the size of the journal or find alternative outlets, there are inevitable bottlenecks, and some highly publishable articles and discussion contributions have been held up, sometimes for as much as a year. Moreover the Editor is pursued, correctly enough, by indignant authors.

For these delays we would like to apologise to our readers and, above all, to authors.

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Some thoughts on the Party's policy towards prices, wages and incomes

David Purdy

(*The author is a Lecturer in Economics at Manchester University*)

In virtually all the advanced capitalist states during the past 25 years the government has at various times and in various ways resorted to policies which attempt directly to regulate the development of prices and incomes (hereinafter to be referred to as "incomes policies" for short). Such policies have differed widely with respect to their stated, and real, objectives, the comprehensiveness of their coverage, the norms or criteria through which prices and incomes regulation was pursued and the mechanism of enforcement. Sometimes, for example, incomes policy has been used as a temporary, crisis measure to slow down the rate of inflation and restore confidence in the foreign exchange value of the national currency. In these cases the emphasis has been on the short, sharp freezing or "severe restraint" of prices and incomes, usually buttressed by, though not necessarily dependant on, statutory support.

On other occasions incomes policy has been cast in an essentially long-term role. It has been used in conjunction with other measures of state intervention designed to co-ordinate and rationalise the activities of private capital in order to enhance its international competitive strength and improve the economy's overall rate of growth. Here the emphasis has been not on the repression of wages and salaries but on their "planned and orderly growth" with the element of coercion played down in favour of the element of consent and co-operation. In formulating an approach to incomes policy it is important to distinguish between these different species of the same genus.

State Intervention as Solution?

Common to all the variants of incomes policy has been the belief that the traditional Keynesian tools of fiscal and monetary policy are insufficient on their own for the management of a modern capitalist economy. In particular the regulation of the money supply and the manipulation of taxes and government expenditure have proven incapable of significantly restraining the persistent tendency for prices and money incomes to rise year in and year out. Just as in the 30's and 40's the more intelligent bourgeois theorists and politicians, prompted by mass pressure from the labour movement came to advocate state intervention aimed at increasing or maintaining the level of economic activity as the solution to economic depression and mass unemployment, so in the 50's and 60's state intervention aimed at controlling the movement of prices and money incomes was presented as the solution to the problems of inflation. Not that incomes policies have had much success on this front. Seldom can any policy have failed so often yet retained such popularity amongst the ruling class and its ideologues.[1]

Occasionally government policy has been influenced by economists of a monetarist persuasion whose prescription for halting inflation is to reduce and stabilise the growth of the money supply and who are resolutely opposed to any attempt to interfere with the working of the market, including the labour market. For the most part, however, capitalism's practical men of affairs have been preoccupied not with whether incomes policy is desirable in general, but with what specific form of incomes policy can be successfully devised and implemented. The Heath Government's famous volte face in the autumn of 1972 was not a random swing between policies which from the ruling class's standpoint possessed equal degrees of realism and viability, but represented a return to the main trend of state monopoly capitalist practice after

[1] Popular support for incomes policy in Britain has also grown. A recent opinion survey reported in *New Society* (February 7, 1974) showed that whereas Conservative voters had moved from strong opposition to Labour's incomes policy in 1967 to almost wholesale acceptance of the Conservative Government's policy in 1974, Labour voters were less favourably disposed towards incomes policy in 1974 than in 1967, but their shift from approval to disapproval had been far less marked than the opposite shift made by Conservatives.

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the aberration of the Tories' first two years. In this sense incomes policy has become a permanent feature of the capitalist scene.

Leftist and Rightist Pitfalls

Incomes policy is at once one of the most critical and the most difficult areas of economic policy facing the labour movement. In a situation in which by degrees inflation has become the overriding economic problem, not just for the ruling class but for all the subordinate classes too, it is impossible for the Party and the left in general to avoid assuming some sort of attitude towards incomes policy. Moreover the ability to develop and fight for a serious and systematic alternative to ruling class policies to deal with inflation is central to the struggle to create an anti-monopoly alliance. Yet in this, almost more than any other area of economic policy it is difficult to avoid both leftist and rightist pitfalls.

On the one hand, from the correct, though highly generalised premiss that the disease of inflation is endemic in modern capitalism, and that no democratic solution is possible this side of the socialist revolution, many people on the left slide easily into a sterile, abstract revolutionism. Nationalisation and socialist planning are posed as automatic panaceas for economic problems. There is a failure to take account of the transitional stages by which a fully socialist economy is to be realised, and a failure even to examine the real economic content of formally socialist measures.

The other side of this leftist coin is a highly economistic aproach to the immediate struggles of the working class. Capitalist policies to deal with inflation are to be resisted solely because they are against the immediate interests of workers as a purely economic class, that is, in terms of their effects on real wages, or the share of wages in the national income, or the capacity of workers to defend their immediate interests through independent trade union action. No attention is paid to the problem of transcending the limits of the purely economic class by elaborating and winning broad support for active, constructive policies which would simultaneously weaken the capitalist system but can also be seen as realistic solutions to the problems caused by inflation.

On the other hand, there is the even more insidious danger of falling into reformist and class colaborationist attitudes towards incomes policy. In Britain the majority of Labour supporters, including many who are in other respects on the left, have approved in general of the incomes policies operated by Labour Governments, though they have also frequently opposed the particular application of the policies to their own union or section. This should not be taken to mean that the general approval of incomes policy counts for nothing. On the contrary this contradiction between the general and the particular is symptomatic of the semi-institutionalised division between the "political" and the "industrial" wings of the British labour movement.

Any Labour Government can rely at least for a period on a certain automatic loyalty. Moreover the persistence and seeming irrationality of the wage-price spiral combined with an uncritical acceptance of any state intervention as ipso facto desirable create a predisposition amongst social democrats towards some form of incomes policy, especially one administered by a Labour Government. Above all much of the ideological justification for incomes policy has had a strong egalitarian flavour. This appeals not only to low paid workers who lack the bargaining power to raise their relative economic position, and in that sense appear to have a direct stake in the successful implementation of an egalitarian pay policy, but also to other groups as well. The enthusiasm with which many people who are broadly on the left have espoused the idea of an incomes policy with egalitarian objectives should not simply be dismissed as woolly-mindedness. It often corresponds to a profound, though ill articulated yearning for the ending of class divisions in society.

Problems for Communists

Even for communists there are difficulties in formulating an attitude towards incomes policy which is wholly free from the taint of class collaboration. If we steer clear from the safe, but arid, zones of leftism, then we must admit that there probably will be circumstances in which it would be correct to urge unions and workers to support a policy for incomes even within the framework of capitalism. The problem is to specify what these circumstances are. How in concrete terms do they differ from the Labour Government's current bid to establish a social contract whereby the unions voluntarily restrain wage claims and settlements in return for the social advances which the Government has introduced or promised?

Suppose, for example, that a future government of left unity with mass popular backing were seriously attempting to attack the centres of capitalist power. Suppose further that this government inherited a weak economy which in the short run before measures of fundamental restructuring and modernisation could take effect, was incapable of supporting large increases in money wages without this leading to higher prices. Would it not be irresponsible in the circumstances to fail to support the government by amongst other things urging moderation on the wages front? Clearly no legally enforced restrictions on wage and salary increases

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

could be entertained, and any such policy for pay would have to extend to prices and incomes from property. More generally, the key criterion for determining the acceptability of voluntary pay moderation in this kind of situation is whether the aim and effect of self-imposed restraint would be to extend and heighten the class struggle in other dimensions or to dampen and defuse it. As always in politics the difficult task is to apply this abstract principle.

There are no political recipes to supply ready-made answers to these problems. Moreover the precise demands for which the Party campaigns at any given time depends on circumstances. We cannot, however, allow the general orientation of our demands to be similarly determined by circumstances if we are to avoid the leftist and rightist deviations noted above. What follows is an attempt to outline the ground-rules for charting a correct course. No attempt is made to forecast the particular variant of incomes policy which might be adopted by the present British or any other government. Nor do these brief notes perform any immediate servicing role to unions and workers faced with the task of extracting the maximum concessions from any given capitalist incomes policy.

They are instead based on the assumption that the Party must not only lead the opposition to capitalist incomes policies, but also has a primary responsibility for helping to understand and undermine the ideological basis of these policies. This means advancing and arguing for demands which (a) challenge that ideological basis and help to raise class consciousness; (b) can be used to mobilise mass struggle; and (c) are capable of being perceived by the mass of the people as coming to grips with the problems, particularly of inflation, to which capitalist incomes policies have been addressed.

Ideological Rationale of Incomes Policy and the Left's Response

Three main arguments have been put forward by bourgeois spokesmen for incomes policy. The first revolves around the general need to combat inflation and the absence of any suitable alternative to incomes policy as an anti-inflation weapon. It is held that under conditions of full employment the bargaining strength of organised labour leads to continual upward pressure on money wages. At the same time the predominance of monopolistic market structures in modern industry allows most corporations to administer their prices instead of passively adapting to an externally imposed market price. Thus when the increase in money wages outstrips the increase in productivity firms are usually able to protect their profit margins by raising their prices. Rising costs per unit of output as a result of higher imported input prices will be similarly passed on. If workers refuse to accept the implied reduction in real wages they will seek compensatory increases in money wages, and a further round of inflation will ensue. Some form of incomes policy is seen as the only alternative to deflation and the creation of mass unemployment on a politically unacceptable scale as a means of combating this persistent inflation.

Inflation at a moderate (say, less than 3 per cent a year) rate is widely held to be good for business; inflation at an immoderate rate is considered highly undesirable. If other countries' prices are rising less rapidly, high domestic rates of inflation will impair the home capital's international competitive strength and lead to balance of payments difficulties. Since large balance of payments deficits cannot be carried indefinitely and since direct controls on foreign trade are regarded as against the rules of the game, the government will sooner or later be forced to devalue or deflate or both.

Devaluation increases import prices which may feed through to give a further twist to the domestic inflationary spiral. Deflation leads to unemployment, low levels of business confidence, lagging investment and a low rate of growth. Apart from its adverse repercussions on a country's international strength, rapid inflation is held to have two other undesirable effects. It tends to redistribute real income away from groups unable to adjust their money incomes sufficiently to compensate for price increases. It also has socially destabilising effects leading to strikes and other acute social tensions as the various groups in society come to engage in constant and increasingly conscious attempts to defend and improve their real incomes.

It is not simply that people become aggrieved at the continuous erosion of the absolute level of their real incomes. The inflationary process may create a greater awareness of *relative* income levels and generate new feelings of relative deprivation. All this has disturbing consequences for the normal consensus politics of the ruling class. From this standpoint incomes policy represents an attempt by the ruling class to reassert control over the contrifugal social forces which the post-war development of the capitalist system has set in motion.

Further Justifications

The second line of argument in favour of incomes policy, which is closely related in fact, though not in admission, to the fear of inflation's socially disintegrative effects, is that unfettered collective bargaining between unions and employers results in a structure of pay relativities determined mainly by economic power rather than by considerations of equity and fairness. Incomes

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

policy is often presented as a device for regulating "collective laissez faire" in order to improve the absolute and relative position of low paid and economically weak groups of workers by positive discrimination in their favour. More generally the view is advanced that incomes policy enables greater system, rationality and fairness to be introduced into the structure of wages and salaries.

Thirdly, incomes policy has been advocated, particularly by social democrats, as the necessary accompaniment of attempts at indicative economic planning. This form of capitalist planning, usually contrasted (favourably) with the centralised, "command" planning operated by the socialist countries, involves efforts by the state to orchestrate the activities of the private sector in order to stabilise its economic environment and increase the rate of investment and growth. Incomes policy is seen as an essential element in this process helping to reduce the degree of uncertainty faced by business in its long-term decisions and to achieve the deployment of real resources between investment, consumption, foreign trade and the public sector envisaged by the plan.

Four Strands of Opposition

With a few eccentric exceptions the left has opposed capitalist incomes policy. Four main strands can be identified in this opposition. One response has been to deny any empirical basis for attempts to combat inflation by regulating money wage movements. Rising money wages, it is argued, are not to blame for inflation, which is variously attributed to the monopoly power of big business, excessive credit expansion by the state or the banking and financial system, international flows of hot money and speculation in commodities, unproductive expenditure on armaments and other forms of social waste, and so on.

Second, the left has argued that incomes policy is bound to be unfair as between capital and labour. The rules of the policy are inevitably asymmetrical in their treatment of wages and salaries on the one hand and prices, profits and property incomes generally on the other. In any case, whatever the formal rules, the power of monopoly capital will result in their evasion or interpretation in ways favourable to big business. Large corporations with their extensive links with the state apparatus are able to obtain generous treatment for prices and profits from state review agencies set up to administer the policy. It is moreover extremely difficult effectively to police a prices and profits policy without a major extension of state control over private capital.

Third, the left has frequently sought to expose incomes policy as in effect a sophisticated way of cutting real wages. If the state succeeds in holding back the growth in money wages whilst simultaneously prices are by intention or default allowed to rise, the result must be to reduce either the level or the rate of increase in real wages.

The fourth, and probably the most prominent ground for resisting capitalist incomes policy has been the threat that state regulation of wages poses to free collective bargaining and ultimately to trade unionism itself. Clearly the intervention of the state into wage determination, especially if backed by the force of law, impairs the ability of unions to defend and improve their members' living standards. If the policy involves any degree of tripartite agreement and co-operation between unions, employers and the state, the unions risk being compelled to act as a social police force and losing their independent status and capacity for action. There is even a longer term danger that as the unions' combative power and spirit is sapped they will begin to suffer a decline in membership and the quality of their internal life. All these threats are especially great if the policy is statutory and accompanied by penal sanctions for violations, because of the still widespread reluctance to defy the law.

Weaknesses in the Arguments

There can be no doubt that the left's traditional response to incomes policy embodies a strong and healthy class instinct, which is in no small part responsible for the ruling class's continuing lack of success in this field. It was this same class instinct which won the release of the Pentonville five, the eventual defeat of the Industrial Relations Act and other notable working class victories in the recent past. What must be asked, however, is whether a sound class instinct can breach the ideological ramparts from which the ruling class seeks to defend its economic system and continually to regenerate the social consensus necessary to sustain an incomes policy. The arguments set out above contain a number of weaknesses and negative features which have a direct bearing on the orientation of the Party's attitude towards incomes policy.

Empirical arguments which purport to exonerate the unions from responsibility for rising prices embody a basic confusion. The words "responsibility" and "blame" carry a double meaning which it is vital for socialists to disentangle. They are used both in a morally neutral, technical-causal sense and in a morally partisan sense. Now it is clear that even if it could be shown that union pressure on money wages has been an important cause of rising prices, this in itself would in no way be a condemnation of the unions. It would simply amount to the positive proposition that capitalism works in such a way that the acts of trade unions

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

produce a certain result. The moral responsibility for this state of affairs is a separate issue. Moreover empirical attempts to rebut bourgeois cost push views in order to deny the working class's moral responsibility for inflation, are misconceived. They still leave open the *logical* possibility that the working class could in principle be held morally to blame for inflation. This logical admission disarms the working class movement. In a fundamental sense workers can never be held morally responsible for the performance of an economic system in which decisive control rests with the capitalist class and their state.

The charge that incomes policy constitutes an underhand method of cutting real wages is simply an exaggeration. It is likely to be true only when the economic room for manoeuvre open to the ruling class is severely limited, as for example in Britain at the present time. In "normal" circumstances at least some positive increase in real wages is envisaged by incomes policies. Indeed many bourgeois writers have recognised that an overtly repressive incomes policy is likely to be counter-productive in the long run, not only because wage freezing tends to be folowed by an above-average upsurge of money wage settlements as soon as the freeze is even slightly relaxed, but more importantly because incomes policy thus acquires a negative popular image which increases the difficulty of securing long run consensus and co-operation. As argued earlier the essential problem for the ruling class is to achieve more complete control over the social and economic processes by which resources are allocated and incomes distributed. Except when they are fighting with backs to the wall, or alternatively fail to pursue their own long-term interests rationally, which is always a possibility, success in this endeavour by no means entails the actual reduction of real wages.

The "Unfairness Argument"

The unfairness argument must also be handled carefully. Taken in isolation it implies that if the rules of the policy *were* fair then incomes policy would be acceptable even under capitalism. Clearly this is not the intention of the argument, but it is its logic. It is useless to argue that the rules never could be fair under capitalism. The ruling class has every interest in contriving that the rules should be *perceived* to be fair, and it is perceived fairness that counts. The point is not the fairness of the rules but the fact that the game is being played on the ground of capitalist property relations.

By their essential nature these relations of production place decisive economic control in the hands of the big corporations and of the state, which attends to the interests of the system as a whole. They therefore exclude the possibility of popular participation in the major decisions which affect the allocation of resources and the running of the economy. It is of course true that this control is less than complete. The working class is able to assert and partially realise its claims on real resources both through the trade union struggle over wages and the preservation of favourable conditions for the conduct of that struggle, and through various forms of political pressure for improved public provision. This is the main reason for the ruling class's persistent drive to implement an incomes policy.

The working class is therefore in a position to block and frustrate ruling class policies and decisions. But power in this sense is qualitatively different from the power of the ruling class. It is the ruling class which is responsible for decisions about production, employment, investment, pricing, etc., decisions which shape the economic terrain on which the class struggle is conducted. Acquiescence in capitalist incomes policies constitutes at least passive, and in many cases active consent to these relations of production. If unions and workers agree to the regulation of wages, however formally fair, flexible and generous the rules, they are in effect assuming co-responsibility for an economy over which they lack decisive control. The asymmetry of the rules applied to capital and labour has some propaganda value, but it is essentially subsidiary to the key point that acceptance of capitalist incomes policies in an exercise in responsibility without power.

Moreover by making this the central theme of opposition to capitalist incomes policy we point the way forward to the socialist transformation of the economy and to the active participation of the people which this involves. Incomes policy in the sense of a collectively and democratically agreed plan for the development of prices and incomes is an essential part of socialist economic planning. This is not to suggest that the process of reaching agreement under socialism would be easy. In particular the role and rights of trade unions in the planning of a socialist economy requires to be extensively studied and debated on the left. The general point remains that the attack on capitalist incomes policy must be focussed on the class relations of capitalist society.

Who Owns and Controls the Economy?

The defence of free collective bargaining and the independence of the trade unions is clearly central to the general fight to defend and extend democratic rights in the face of a mounting drive towards authoritarian forms of political rule. However, once again this element of the left's traditional response to incomes policy can be seen to have

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

some negative features. It fails to come to grips with and challenge the terms in which the question of inflation and incomes policy has been posed by bourgeois ideology. Implicit in the bourgeois rationale for incomes policy discussed earlier is the idea that there exists an uneasy triangle of relationships between full employment, price stability and free collective bargaining. Any two of these desiderata can be achieved at the expense of the third, but all three cannot be achieved simultaneously.

If we fail to take issue with this idea we are simply left in the position of asserting our values and priorities as between these three objectives against those who are less impressed by the sanctity of free collective bargaining. We therefore leave ourselves exposed to the charge that by opting for free collective bargaining and full employment we are endorsing inflation as the lesser evil. We risk giving the appearance to those who do not already share the same set of values of evading the problem of inflation with which capitalist incomes policies have attempted to cope. This "ideologic" is inescapable as long as we remain trapped within the terms of bourgeois debate.

We need therefore to show that we are concerned about inflation and its damaging social consequences. At the same time it is not our job to advise the ruling class how to run its economy. Our concern is with the immediate struggle to protect the mass of the people from the continual erosion of their living standards and the necessity to undertake repeated and costly defensive counter measures. But our concern is equally with arousing consciousness of the nature and underlying causes of the inflationary process.

The complexity of the phenomena of modern inflation means that whatever programme we put forward cannot offer an instant solution. There is not one available. What is must do, however, is to point towards the conclusion that ultimately inflation can be brought under control only in a collectivised and rationally planned economy for whose management the mass of the people are responsible because they collectively own and control it. The defensive dimension of our response to incomes policy embodied in the demand for the preservation of free collective bargaining needs to be supplemented by an insistence that the whole question of prices and incomes cannot be considered separately from the question who owns and controls the economy and with what social consequences.

The Relative Pay Issue

The demand to preserve free collective bargaining taken in isolation also fails to deal with the relative pay issue, which was shown above to form an important strand of the bourgeois rationale for incomes policy. It is not that it is incorrect to defend the right of workers to obtain the best possible terms for the sale of their labour power. This basic freedom is, after all, one of the characteristics which differentiates the position of the exploited class under the capitalist mode of production from that of serfs or slaves in previous modes of production. Moreover the tension between nominal freedom in the sphere of exchange and substantial unfreedom within the process of production is one of the central contradictions of capitalism.

Rather the point is that whilst defending this elementary right we also need to find ways of demonstrating that the trial of strength method of settling the distribution of income between labour and capital, and, as a by-product between the various categories of labour, is precisely a product of class society, which it is our long-term aim to abolish. Failure to make this clear risks giving the appearance of conferring general approval on whatever structure of relative pay happens to emerge from the free play of collective bargaining, and thus to condone a system whereby the pay of any given group of workers is determined by their relative bargaining strength.

It is, of course, possible to demonstrate the fallacy of believing that wage moderation by well organised, powerful groups of workers will somehow of itself improve the relative position of weaker groups, and that in general the best way for the latter groups to advance their position is by emulating the collective strength and militancy of others. Nevertheless we must recognise that there are limits to what can be achieved by way of voluntaristic efforts to promote solidarity and effective trade union organisation, necessary though this is.

Under capitalism inevitably not all groups of workers can occupy technically and economically strategic positions in the production process, nor can all enjoy the same relative scarcity in the labour market, nor are all subject to the same degree of resistance from their employers. And whilst collective bargaining is the main method by which workers assert their right to obtain the best possible terms for the sale of their labour power, it is also simultaneously the channel through which these several forces impinge on the power relations between the various groups of workers and their respective employers to determine what at any given time these best terms happen to be.

The defence of free collective bargaining in itself is not immediately seen to be associated with a concern for the fate of relatively powerless groups of workers. It requires to be placed in a perspective

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

which envisages the eventual supercession of this mode of determining the distribution of income in a fully socialist society.

An Illustration

The translation of these general principles into detailed policy formulations is an immensely difficult task which cannot be tackled by a single individual. Apart from changing objective circumstances the avoidance of leftist rhetoric demands the most sensitive attention to the level and composition of popular consciousness. These notes conclude with a single illustration of the type of programmatic response which flows from the previous argument and which the Party might campaign for at the present time.

Let us assume that the present Labour Government will retain a Prices Commission in some form. What should be our attitude towards its composition, functions and powers? What demands could be made which would help to break the grip of bourgeois ideas about inflation and elevate the class struggle? One possible approach would be as follows. There should be a statutory obligation on companies above a certain minimum size to announce every proposed price increase in advance. The basis of price increases should be explained according to a standard code in documents submitted to a reconstituted Prices Commission and to appropriate trade unions, with heavy penalties for false or misleading information. All such price increases should require positive approval from the Prices Commission before being permitted. The Prices Commission itself should be headed by nominees of the Government, the employers and the trade unions and should be backed by a substantial secretariat with statutory powers to inspect company accounts, and so on. Companies below the minimum size should be required to observe the prices code with severe penalties for non-compliance. The Prices Commission should encourage and solicit evidence and reports on pricing from trade unions, shop stewards committees, tenants' associations, independent research bodies, etc.

In general the operative criterion for approving price increases should be that higher prices are never automatically permitted as under the allowable costs rules of Phases 2 and 3 of the 1972 Counter Inflation Act. Rather submissions for price increases should be positively vetted to ascertain whether the existing and planned employment, investment, research, export, etc., policies of the companies concerned conform to socially approved norms. Pricing policy may thus be used as a lever for exercising social control over the big monopolies. Thus, for example, a company which had been engaged in closing down factories at home, whilst simultaneously establishing or expanding new subsidiaries abroad, could be discriminated against by refusing its application for a price increase. Clearly the profitability of such companies would suffer if the policy were successfully applied. Clearly too if ever such a policy were taken up it would encounter major resistance from the employers, which would raise new problems for the government.

The above illustration should not be taken too seriously. Its intention is simply to indicate the kind of way in which the Party's policy on prices and incomes might move beyond the standard positions of the left in this area of economic policy. Inflation has become too profound a social and economic problem for us to remain satisfied with a purely defensive posture. A positive, offensive line is needed aimed at weakening the power of capital and beginning the process of restructuring the apparatus of the bourgeois state, whilst simultaneously engaging with the needs and aspirations of all sections of society whose interests are objectively opposed to those of the ruling class.

Problems of State and Democracy

James Harvey

(*Along with Katherine Hood, James Harvey was co-author of* The British State, *Lawrence and Wishart, now out of print.*)

There has been a trend towards more authoritarian methods of government in recent years and some of our most valuable democratic rights have been under attack. It is not necessary to analyse here the attacks that have been made on the rights of trade unionists, of immigrants, of those arrested by the police, etc, or the way in which the traditional rights of parliament and of elected local authorities have been undermined. It is sufficient for the purpose of this article to

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

take note of this attack and of its see-saw character. The greatly increased strength of the labour movement since the war has caused successive governments and judges to try to curtail and undermine democratic rights, but the very strength of the movement has defeated some of these attempts and gained certain successes in its turn.

There are many people who feel strongly about these attacks but who are not convinced socialists and do not agree that socialism is the key to the defence and extension of democracy. This raises the whole question of the relation between democracy and socialism.

Democracy and Socialism

Marxists believe that the way in which state monopoly capitalism has developed since the war has created a powerful, inbuilt trend towards more authoritarian methods of rule. The only way to stop this trend and reverse it is to advance towards socialism, and thus eliminate the source of the attack on democratic rights. Others however think that British capitalism could be run in a different way which would be compatible with the growth of democracy, but if the Marxist analysis is correct, this is impossible; it is an illusion which is held by social democrats and liberals.

It can be argued in support of the social democratic point of view that a stronger labour movement should be able to gain further democratic rights within the existing capitalist system. It is true that this is a possibility and to recognise this is important. But if the conflict between labour and capital intensifies, it is likely that the economic difficulties of British capitalism will increase, and will result in the strengthening of the authoritarian tendencies of the ruling class, giving rise to much graver attacks on democracy. Any extension of democratic rights that might be gained would therefore be extremely precarious; and the replacement of capitalism by socialism would become even more necessary to defend any such gains.

Stages of Advance

The **British Road to Socialism** tackles this question of democracy and socialism in the third section headed "Next Steps Ahead". In the fourth section—"Building a Socialist Society"—it declares that socialism cannot be built unless the working class and its allies win political power, that is, they must establish a socialist state which is loyal to the working people and able to reconstruct the economy on socialist lines.

The **British Road** proposes in its third section, however, that there will be a stage preceding the taking of political power, which will be characterised by the carrying out of a "democratic programme that leads in the direction of socialism". It will be a definite stage in social progress that "can pave the way for the advance to socialism". A broad popular alliance against the monopolies, uniting virtually all sections of the people outside big business, will be built up during this stage. There will be an extensive programme of nationalisation. The struggle for the defence and extension of democratic rights is stressed—freedom of speech and to strike, popular control over the mass media, proportional representation and abolition of the House of Lords. But nothing is said in this section about any changes in the remainder of the state apparatus.

In Jack Woddis's **Time to Change Course** the section headed "An Alternative Government" (pp. 126-130) deals with the programme of a Labour government committed to carry out "left policies" including a substantial measure of nationalisation. Such a government would "begin to dismantle the economic, political and ideological power of the ruling class" and, in addition to extending democratic rights, would have to "make big inroads into the capitalist power" structure, ending the domination by the monopolies of Britain's economy, and "terminating their stranglehold on the state and other levers of political power". It would have the fundamental aim of "changing the balance of class power in Britain in favour of the working people as an essential step towards socialism".

Anti-Monopoly Democracy

The concept of a stage which paves the way for socialism, of an anti-monopoly democracy which leads towards socialism but is not yet socialism, raises problems which deserve more discussion than they have yet received. The two main problems are: what would be the nature of the state during this stage; and what would be the role of nationalisation?

The French Communist Party, in explaining the significance of the Common Programme of the Socialist and Communist parties, included the democratic transformation of the state (from a pro- to an anti-monopoly state) as one of the four essential features of the programme. It would create what the French CP call an "advanced democracy". It is a possible implication from the **British Road to Socialism** and a more definite implication from Jack Woddis's book and the French Common Programme that a left government could establish some from of democratic capitalist state which would prepare the way for a subsequent transition to a socialist state. This was very clearly implied in the book published in the GDR in 1965 —**Imperialism Today**—which said: "Between state monopoly capitalism and the dictatorship of the

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

proletariat which will usher in socialism, there lies the stage of creating and developing a democratic system directed against state monopoly capitalism." (Quoted in the Fabian pamphlet by Kissin **Communists all Revisionists now.)** Although the author uses the confusing term "system", he is arguing for an intermediate stage between state monoply capitalism and the beginning of the transition to socialism, a stage of democratic capitalism which must therefore have at its centre a democratic capitalist state.

This is a legitimate conception on one condition only: there must be economic and/or political democratic reforms needing to be carried out which are not socialist in character. This was the position in Russia in 1905 up to April 1917 when the Bolshevik programme called for a state which would be a revolutionary democratic dictatorship of the workers and peasants, i.e. a democratic capitalist state, which would accomplish the economic task of land reform and the political task of overthrowing the Tsarist autocracy. These were non-socialist reforms in the struggle for which the working class had the peasantry as their allies.

Non-Socialist Reforms

The question is therefore: are there in Britain today non-socialist reforms which can help to overcome the crisis of the economy and in the struggle for which the working class can win important allies? It may well be that there are in France, where there is an autocratic type of "presidential" constitution and an influential peasantry and petit-bourgeoisie. It is also possible that there are in Italy, where there is an urgent need for much more investment in the South, and in the infrastructure and social services, i.e. far-reaching structural changes are needed which are possible without a great extension of public ownership. But in Britain the possibility of such democratic, non-socialist reforms seems more doubtful, for as we saw at the beginning of this article, any serious advance to democracy requires an advance to socialism, and equally there are no obvious non-socialist reforms which could win over the petit-bourgeoisie (though measures of public ownership directed against their particular enemies certainly might help to win over small farmers and shopkeepers, etc.).

A possible answer to this is that the British economy is in need of far-reaching structural changes, such as more domestic investment in manufacturing, much less foreign investment, etc., which could be carried out, or at least started, by the imposition of severe controls over all multinationals and without a major extension of public ownership. On the political front there would be the measures of more industrial and political democracy put forward in the third section of the **British Road,** including proportional representation, Scottish and Welsh assemblies, much more decentralisation, more popular control over the mass media, etc. But if a stage of democratic non-socialist reforms of this type is envisaged, then it is a complete contradiction to propose also that there should be a large programme of nationalisation, as the third section of the **British Road** also does. There could be limited nationalisation only, such as was needed to make the rest of the programme effective.

This does indeed seem to be the conception of the Common Programme of the French Socialist and Communist parties, which proposed only a relatively small extension of public ownership in manufacturing industry—only 13 large companies producing 5 per cent of total industrial production though accounting for 15 per cent of capital investment.[1] Added to the existing nationalised industries the public sector would have had 14 per cent of production, 13 per cent of the labour force ($2\frac{3}{4}$ million workers) and 45-50 per cent of capital investment; and this would have enabled the government, backed by the mass pressure of the labour movement, to exercise a much more effective control over the French economy which would have remained a capitalist one. In the course of the struggle for all the democratic reforms contained in the Common Programme the question of a major extension of public ownership and of making the revolutionary transition to socialism, would in due course have arisen.

A Confusion

The main document published by the World Conference of Communist parties in June 1969 contains a passage about the anti-monopoly alliance:

> "In the course of anti-monopolist and anti-imperialist united action, favourable conditions are created for uniting all democratic trends into a political alliance capable of decisively limiting the role played by the monopolies in the economies of the countries concerned of putting an end to the power of big capital and of bringing about such radical political and economic changes as would ensure the most favourable conditions for continuing the struggle for socialism."

Thus the role of the monopolies is to be "decisively limited" which implies that they continue to exist, but the power of big capital is to be ended, which implies that they will be nationalised. I suggest that the confusion in this passage may not be accidental but arises out of lack of clarity as to the nature of an anti-monopolist democracy.

[1] The entire financial sector was also to be nationalised.

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

as to whether it is still capitalism or is the beginning of the transition to socialism.[2]

The programme for an anti-monopoly democracy has I believe been widely adopted by West European Communist parties though I have not been able to make a thorough study of the various programmes. But the formulation contained in the Theses adopted by the German Communist Party at Dusseldorf in 1971 is extremely interesting:

> "A prerequisite of anti-monopoly democracy is radically to change the alignment of political forces and establish a state power led by the working class and exercised in common with all anti-monopoly forces. The economic power of monopoly capital will be broken by transferring the key industrial and commercial enterprises, the banks and large insurance companies, press and cultural monopolies to public ownership under the democratic control of the working class and other anti-monopoly forces and organisations."

This passage is quoted from an article on the Theses by Willi Gerns and Robert Steigerwald in **World Marxist Review,** June 1972. Their comment is:

> "This will mean removing the main obstacle to socialism and destroying the main foundations of contemporary state monopoly capitalism. We therefore share the opinion that in view of the tremendous role of the monopolies under imperialism, their expropriation will virtually end capitalism as a social formation. Paraphrasing Lenin, we may say that anti-monopoly democracy is still not socialism but neither is it imperialism any longer. It is a tremendous step towards socialism. Anti-monopoly democracy must in no circumstances be regarded as a stage in the development of capitalism . . . It would be just as wrong to identify it with socialism. There are important distinctions between them, political and economic. The fundamental difference is the degree of political maturity of the working class and in the breadth of the alliance wielding power. Under socialism it is indispensable to the political power of the working class that at least the proletarian core adhere to a socialist position, whereas at the early stage of anti-monopoly democracy it is enough for a considerable proportion of workers to be against monopoly."

The authors are surely right to say that an anti-monopoly democracy as defined in the Theses is no longer capitalism. But it is very confusing to say that it is not socialism. It is the first part—and the main part—of the transition to socialism, with political power being transferred to the working class and its allies, and the principal means of production being transferred to public ownership.

[2] *Documents of the World Communist Conference, June 1969*, p. 20.

The Purpose of Nationalisation

How does one judge whether the state is being changed from a capitalist state into a socialist one? The test cannot be solely the kind of people who are in charge, but must also be the kind of policy being pursued. The crucial test is surely the purpose and scope of the measures of nationalisation which are being carried out. They can be either limited measures (like the French Common Programme) which leave the capitalist system basically intact, or such extensive measures covering all the major multinationals, foreign as well as British, that monopoly capital will be largely eliminated and replaced by a planned economy.

The Labour Party election manifesto for the February 1974 election explained that a Labour government would take over profitable sections of industries or individual firms "where a public holding is essential to enable the government to control prices, stimulate investment, encourage exports . . . and plan the economy in the national interest". Thus the motive for nationalisation here is to make capitalism function more efficiently (though the implications of any extension of public ownership in manufacturing industry, even of a limited nature, must not be underestimated for it implies the possibility of a continuous expansion of the public sector and hence of the transition to socialism).

It is possible that a rather different approach to nationalisation may be more fruitful. This is to argue that the British economy is in need of far-reaching structural changes—more investment in manufacturing, more production for export, less for armaments, no more foreign investment etc.) and to build up a demand that these changes should be made however much they may conflict with the interests of the big firms and of the City. The first stage could therefore consist in the government trying to make these changes with only a minimum of nationalisation combined with tough measures of control over investment, prices, export, etc. The difficulties in carrying through such a programme in face of the likely obstruction by the big multinationals will convince wider sections of the population of the need for much more extensive nationalisation capable of destroying the economic power of monopoly capital.

Nationalisation in the Democratic Stage

If this is the right approach, then the extensive measures of nationalisation proposed in the third section of the **British Road** are inconsistent with the aims and political possibilities of the democratic stage. During this stage the main effort should be to compel the big multinationals to conform to the national interest by means of controls

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

combined with a minimum of nationalisation. The limited measures of nationalisation proposed should be those which can be most clearly justified on economic grounds and which can win widespread conviction and thus be supported by mass pressure. While this programme is being carried out, the experience of the struggle will help to bring wider conviction of the need to replace capitalism by a planned economy and will thus help to raise the socialist consciousness of the working class.

So far as the state is concerned, during the stage of democratic reforms, the working class is not yet strong enough to make decisive changes in the state which would enable it to carry through extensive nationalisation and the construction of a planned economy. But it is strong enough to secure limited measures of public ownership combined with controls over monopoly capital. The state is still a capitalist state—even though it is under severe pressure from a left government above and the mass movement below—and the relations of production are still capitalist because the principal means of production are still in private ownership. And if this interpretation of the democratic stage is right, it means that a left government will have to face up to all the problems, including inflation, which will arise out of the management of a capitalist system where profit is still the main driving force for more production and investment.

(*Editorial Comments: Continued from page 227*)

perspective of socialism. The protagonists of "zero growth" argue that:—

> "Salvation must come through return to nature, ascetism, or even through the inner perfection of the individual. Economic growth must be stopped. Social progress must be limited. Moreover, régimes of every order, in an inevitable convergence, find themselves in the same difficulties; socialism is no better off than capitalism. Only the under-developed countries are fortunate, and then only on condition that they do not develop".

None of the contributors to this issue of *Recherches Internationales* in any way deny the burning problems of environment, but nor do any of them accept the arguments of anti-growth. The number is all the more valuable in that it includes contributions from the socialist countries whose views (and whose practice in relation to the environment) are not well known in this country.

May we at the same time recommend to our readers another French Marxist publication on the same subject, a book by Guy Biolat entitled "Marxism and Environment" and recently published by Editions Sociales[5]. Its four main sections are entitled "Approach to and Method of Study of the Problem"; "The Sciences of the Environment"; "The Politics of the Environment in France" and "Some Ideological Aspects".

THE MANIFESTO ILLUSTRATED

Those who have studied the history of print and picture in the revolutionary movement or have experienced the power of the visual in political education and mobilisation, will be interested in the attempt by Herbert Sandberg of the German Democratic Republic to illustrate the key thoughts of the *Communist Manifesto*. A series of 16 illustrations from a cycle of 28 has recently been beautifully produced in large folder format by the Henschelverlag of Berlin.[6]

Why did I set out to illustrate the *Manifesto*, asks the artist, and, replying to his own question, gives a threefold answer.

I had heard of recent years, he writes, in different lands and languages, that the value of the *Manifesto* was now historical, that it was something that, as it were, belonged to the nineteenth century. But I do not think this is so. The *Manifesto* remains extraordinarily topical, and I wanted to convey this in my pictures.

Artists must depict what moves them. And from my childhood I have been deeply moved by the need to struggle against the exploitation of man by man.

What interests me as an artist, he continues, is men and women and their conduct.

From such a standpoint the artist has endeavoured, in a form resembling woodcuts (in fact, he writes, the material used is not wood but a new substance called "decelith" that is easy to cut and much used for postes-in the GDR), to represent some of the essern tial thoughts of the *Manifesto* in a way that is striking, easily understood, simple (only black, red and white are used), and easily reproduced for exhibitions, leaflets and posters.

An art with such direct and didactic aims demands simplicity, and it is perhaps those pictures that are most simple that are the most successful.

[5] Guy Biolat—"Marxisme et Environnement", Editions Sociales, Paris.

[6] Herbert Sandberg, *Bilder zum Kommunistischen Manifest*, Henschelverlag, Berlin, GDR.

Published by the Communist Party, 16 King Street, London, WC2E 8HY, and printed by Farleigh Press Ltd. (T.U.), Watford, Herts.—25618

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

New Books in the English Language from the USSR

CHAPAYEV
by Dmitry Furmanov
The famous novel about the gifted and popular Civil War hero and commander V. I. Chapayev. The time is 1919, when the young Soviet republic fought foreign invaders and the Whiteguards.
318 pages cloth £1

AT THE BIDDING OF THE HEART
M. Sholokhov
A collection of Sholokhov's speeches made in the Soviet Union and abroad, essays, sketches and papers. The first section of the book is entitled "Life" and includes the writer's famous essays: Motherland and The Science of Hatred.
265 pages cloth 80p

THE POLITICAL ECONOMY OF CAPITALISM
L. Afanasyev et al
Written by a group of Soviet economists, the work covers the main problems of the political economy of capitalism, the main stages in the evolution of the capitalist mode of production, the essence of monopoly capitalism, the place of imperialism in history and the crisis of world capitalism.
342 pages cloth £1

US NEOCOLONIALISM IN AFRICA
Stewart Smith
This brief survey aims at a synthesis of US relations with Africa, mainly from the mid-fifties to the present. The author concentrates on the continent as an organic part of world development, covering the main categories or spheres.
263 pages cloth 90p

NATIONAL SOVEREIGNTY AND THE SOVIET STATE
V. S. Shevtsov
The author analyses the substance and politico-legal content of national sovereignty in the Soviet multinational state, and shows how national sovereignty interacts with state sovereignty.
176 pages cloth 50p

AVAILABLE FROM
CENTRAL BOOKS LTD.
37 GRAY'S INN ROAD
LONDON WC1X 8PS

Please add 15 per cent for postage when ordering.

Recent Books

The SOVIET HEALTH SERVICE
a historical and comparative study
GORDON HYDE

"There are few well-documented studies of the Soviet Health Service available in English and this detailed account will be of value to historians, as well as having considerable interest for the general public."—Michael Rapoport in *Morning Star.*

hardback, £6

The BURSTON SCHOOL STRIKE
BERTRAM EDWARDS

"Its chief aim—to give acclaim to the heroes of this stirring battle between working men and establishment—is well and truly realised."—*Hitchin Gazette.*

"Serves as a reminder of what can be achieved when people's passions are aroused and right is on their side."—*Morning Star.*

paperback £2

LAWRENCE & WISHART
46 BEDFORD ROW
LONDON WC1R 4LR

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Collet's LONDON BOOKSHOP
64-66 Charing Cross Road,
London WC2H 0BD

THE SOVIET HEALTH SERVICE
by Gordon Hyde
A historical and comparative study
£6 plus 23p p.&p.

POLITICS IN SRI LANKA, 1947-1973
by A. Jeyaratham Wilson
£7.50 plus 23p p.&p.

THE MAJOR INTERNATIONAL TREATIES 1914-1973
by J. A. S. Grenville
A history and guide with texts
£3.95 plus 30p p.&p.

USEFUL TOIL
edited by John Burnett
Autobiographies of working people from the 1820s to the 1920s
£2.50 plus 23p p.&p.

THE MILITARY IN THE THIRD WORLD
by Gavin Kennedy
£6.50 plus 23p p.&p.

FREDERICK ENGELS
A biography
£1.50 plus 30p p.&p.

GIVE IT TIME
by Bella Aronovitch
An experience of hospital 1928-1932
£2.50 plus 23p p.&p.

FOR OUR SECOND-HAND DEPARTMENT
We buy books on Marxism, working-class history, etc.

WORLD MARXIST REVIEW: 1974

No. 6

THE WORLD SITUATION AND THE REVOLUTIONARY FORCES
B. Ponomaryov

INTERNATIONAL SOCIALIST PROPERTY

DIFFERENCES IN OUTLOOK AND POLITICAL CO-OPERATION
Meeting of Marxist and Catholics

No. 7

PEACEFUL COEXISTENCE AND CLASS INTERESTS
A. Fantis

NEW DEVELOPMENTS IN THE INTERNATIONAL TRADE UNION MOVEMENT
P. Gespous

LESSONS AND PROSPECTS OF THE REVOLUTION (LETTER FROM CHILE)
R. Castillo

Price: 15p per issue plus postage
£1.80 for one year
from

CENTRAL BOOKS LIMITED
37 Gray's Inn Road, London WC1X 8PS

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED